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# Near East/North Africa Report

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## NEAR EAST/NORTH AFRICA REPORT

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ARABS INVEST IN HONG KONG, SINGAPORE

Paris AL-MUSTAQBAL in Arabic No 235, 22 Aug 81 p 52

[Article: "Asiadollar Market Promises Large-Scale Operations, Stock Markets Await Funds for a New Take-Off; Hong Kong and Singapore Await Arab Capital"]

[Text] From Europe to America to Japan, and from Japan to Hong Kong and Singapore, observers have begun to talk about Arab capital assuming its full role in the Far Eastern states.

Arab capital has begun pouring into the states of this region, which have been experiencing a phase of new expansion and growth for some time. This new phase started with the liberalization of regulations and opening of markets in the region to foreign organizations and sources of capital, which responded to this liberalization and initiated an influx of capital, offices, and organizations.

The influx of Arab capital and organizations into the states of this region is a response to two factors:

--The first pertains to the region itself, which is among the most promising areas in the world in terms of growth and profits and among the most moderate in terms of inflation rates while investors in the region may operate with complete freedom.

--The second factor pertains to Arab sources of capital, which are investigating all fields that offer investment diversification and allow investments to be spread among many baskets--that is, among a number of sectors and countries.

Up to now, Arab capital and organizations have channeled their activity into the following areas:

1. Banking activity, with the aim of initiating direct participation and profiting from development of the market in "Asiadollar" loans. This market has been a very active one thus far--loans in the market totaled around \$60 billion in 1980--and holds much promise for the future.

Arab banks that have obtained licenses to operate in the Asiadollar markets include Abu Dhabi National Bank, the Union of Arab-French Banks [UBAF] and Kuwait National Bank. Abu Dhabi National Bank and UBAF initiated operations in the Far

East in offices and branches of the Asian Kuwaiti Bank (Hong Kong, South Korea, Thailand, and Singapore). Kuwait National Bank has established a representative office in advance of the establishment of private branches at the appropriate time.

Other banks are presently waiting to obtain licenses to establish offices and branches. These include the International Afro-Arab Bank, the International Gulf Bank, and the Arab Banking Organization.

2. The second area is activity in the stock exchanges in the countries of the region--particularly the Singapore and Hong Kong exchanges, which have experienced tremendous growth spurts in the last 3 years.

In the Hong Kong exchange, the index of prices quadrupled between 1 January 1978 and June 1981. The index has risen more than 10 times in comparison to 1975 prices.

The Singapore market has achieved increases of three times and six times during the same two periods. This performance is unmatched by any of the stock exchanges among the industrial states which are more firmly entrenched in the sectors of industry, production, and finance.

While these two exchanges have suffered from a certain amount of stagnation (and even some backward movement) for several weeks, both of them possess the potential for a new take-off. According to Pierre Pallas (an official with SICAV [Variable-Capital Investment Co.]-Pacific Saint Honoria, a joint investment fund specializing in this area), this potential is demonstrated by the ability of these two exchanges to overcome all negative reports.

Therefore, the reports about the influx of Arab dollars into these exchanges point to the beginning of a corresponding new boom. This boom will inevitably be an extensive one in view of the relatively limited volume of both exchanges, with stock investment for 1980 amounted to only \$20 billion in Singapore and \$30 billion in Hong Kong. While these figures exceed stock investment in the Paris exchange, they represent only one-fifteenth in the case of Singapore and one-tenth in the case of Hong Kong of stock investment on the Tokyo exchange, which has benefited from the influx of Arab capital despite its large size.

The stocks awaiting the Arabs in the Hong Kong stock exchange range from shares in banking companies and investment companies to stocks of real estate companies. Industrial companies there are still owned by a small number of individuals who rarely make stock offerings or open their doors to the public. In Singapore, however, the field of choice is wider both with regard to the number of companies whose shares are offered for circulation and with regard to the variety of sectors available. These include the industrial sector with shipbuilding companies, sugar refining companies, and companies involved in minerals processing and exploitation.

3. The third area that attracts Arab capital to these countries is direct participation in the establishment of joint investment companies engaged in diversified activities. Such activities include the petroleum complex construction project being handled by Kuwaiti sources of capital and local governmental and private sources of capital in Singapore.

ARAB INVESTMENTS INCREASE ON COTE D'AZUR

Paris AL-MUSTAQBAL in Arabic No 236, 29 Aug 81 p 51

[Article: "Foreigners Back Off on Purchases on Cote d'Azur While the Arabs Advance; Because of the Arabs (Naturally), the Cost of Floorspace on Cote d'Azur Has Risen to \$4,000 per Square Meter"]

[Text] "Had it not been for Arab clients and buyers, we would have been unable to maintain the volume of our activities at a reasonable level after 10 May."

This comment was made by one of the officials in charge of a large real estate project on Cote d'Azur on the French coast of the Mediterranean called (Marina Ile Des Anges) in the town of Villeneuve-Loubet. The meaning of this remark is that the willingness of Arab customers to purchase apartments in the real estate projects in the area has been the source that has allowed them to maintain a relatively reasonable scale of activities following the success of the socialists--in the person of Francois Mitterrand--in the presidential elections of 10 May and the ensuing developments within the government in France. These developments led to a decline in the level of purchases by foreigners in general in real estate projects in the area.

Observers of the real estate market in the Cote d'Azur area are in agreement on the clear and definite role that the success of the socialists in the government and the participation of the communists with them have played in the decline in apartment buying by non-French. However, these observers differ somewhat in another area. One group sees the socialist victory as the sole reason for the decline while another group sees additional reasons including rising prices, the scarcity of new projects of first-rate quality, as well as the taxation measures adopted by the former government headed by Raymond Barre. These measures made foreigners as well as Frenchmen subject to taxes on profits resulting from added value and raised taxes on foreign companies that own real estate projects.

Those who cite the last reasons in addition to the first reason based on the change in the identity of the French government as the causes behind the decline in purchases in Cote d'Azur apartment houses by foreigners refer to a specialized magazine called THE COTE D'AZUR REAL ESTATE OBSERVER. This magazine published a study revealing that purchases by foreigners in the "Alps-Maritime" district dropped from 14 percent of all purchases in the district in 1979 to 9 percent in 1980. Thus, according to the study, this decline in activity after May 1981 is



similar to the decline that occurred in the first months of 1981 prior to May and its elections and is an extension of the same trend that began in 1980 when neither d'Estaing's defeat nor Mitterrand's victory were anticipated.

Of course, these observers do not deny the role played by the recent outcome of the French presidential elections in broadening the decline. In fact, while giving this role the natural proportions it deserves without exaggeration, they point to it as a cause not only of the decline in the willingness of foreigners to make real estate purchases in the Cote d'Azur region but also of a trend on the part of some of these foreigners--perhaps for the first time to any substantial degree--toward putting their property up for sale. Perhaps they aim to recover their capital and take their profits, fearing inflation, a new decline in the exchange rate of the French franc, or new taxes that could be imposed on apartment projects by the socialists. Alternately, perhaps they are merely responding to a new trend that has begun to prevail among foreign investors throughout Europe, namely, a move toward investments in the United States, which remains the last bastion of economic liberalism and stable legislation protecting capital and private investments.

The foreigners who are least willing to purchase on Cote d'Azur today are the English and the Germans, two groups which were nearly the largest purchasers there until just recently.

According to a report of the French weekly magazine L'EXPRES concerning a Mr (Zeigenfutter) (a German lawyer registered with the lawyers union in the town of Nice who is one of a group of foreign lawyers who serve foreign investors interested in Cote d'Azur), the telexes he is receiving from clients in Frankfurt, Munich, and Hamburg all repeat a single phrase beginning with the words "please cancel" followed by references to initial purchase agreements or orders that the clients had sent some time before.

As for the English, while their movement away from Cote d'Azur purchases is clear, it is relatively less strong than that of the Germans. The reason for this, according to Robert Floyd, an English broker in the real estate market in the town of Cannes, relates to the free market policy taken by the Thatcher government and the ensuing movements of assets that had been buried in Britain and began moving abroad at an increasing rate because of the rapid rise in the exchange rate of the pound sterling with respect to the French franc.

The English make no secret of another reason for continuing their shift of investments into real estate on Cote d'Azur--or at least not completely backing off from this option as the Germans have done. This reason is that if the socialists in France have come to the threshold of power, the Labor Party is not far from it in England.

Nevertheless, the relative withdrawal of the English from the real estate market on Cote d'Azur is not the main source of concern plaguing some projects which until just yesterday were living--almost flourishing--on the money of foreigners. The major source of concern is that the day will come when the Arabs will leave the ranks of those who continue to buy, as they do today, and join those who are backing off from making purchases--such as the Germans--and those who are putting their current property up for sale, as some of the Germans are doing.

The fear on the part of the French concerned in these projects that the trend away from the projects will ultimately affect the Arabs is not solely attributable to the relative volume of the Arab assets flowing into these projects. Another key factor is the willingness of the Arabs who hold these assets to pay the prices asked for the most expensive apartments, which in Cannes have reached as high as 25,000 francs, or over \$4,150, per square meter of floorspace.

The reasons for some of this fear began to be perceived in the absence of deals in excess of 10 million francs. While it is true that this absence is due to the state of saturation that prevails in the market, which has attracted most of the shaykhs, amirs, and super-rich over the past 5 years, still the market has now begun to miss all but rarely the 3-million-franc deals--transactions which are insufficient to give the market the charge it needs for a new boom or the desired growth and expansion.

8591

CSO: 4404/60



UAE EASES SUDANESE LABOR GUIDELINES

Kuwait ARAB TIMES in English 21 Nov 81 p 7

[Text]

KHARTOUM, Nov. 20 (KUNA): The United Arab Emirates (UAE) and the Sudanese Republic agreed here last night to set new rules for employment of Sudanese workers in the implementation of UAE development projects and other schemes.

According to an agreement concluded by the two ministers of labour, a system of simplified procedure will be introduced to facilitate the travel of those workers to the UAE.

The agreement also stipulates the exchange of expertise and coordination in planning for manpower needs of the two Arab states.

According to the agreement Sudanese workers in the UAE will be entitled to transfer to Sudan all bonafide earnings and can change employers on amicable terms.

The agreement will run for a period of four years and is automatically renewable for a similar period unless either side demands its termination.

"We have discussed means of strengthening cooperation in fields of manpower resources and reviewed future plans," UAE Labour and Social Affairs Minister Seif Al-Jarwan said following the signing of the agreement with his Sudanese counterpart Hayder Kabsoun.

CSO: 4400/83

THREATS FACING OPEC DISCUSSED

London AL-DUSTUR in Arabic No 199, 14 Sep 81 pp 28-29

[Interview with Tayih 'Abd al-Karim, Iraq's oil minister, in Baghdad, by 'Abd al-Wahhab al-Qaysi: "OPEC Faces the Danger of Being Torn Apart!"; date of interview not given]

[Text] "If the Arabs' oil were in our hands, the world would be aware of us." This opinion was expressed by Moshe Dayan when he was talking about the effective weapon of the Arabs which was not being used. This expression was also made by Mr Tayih 'Abd al-Karim, Iraq's oil minister, when he was talking about the role of the Arabs' oil. The Iraqi minister asked: "Have the Arabs achieved even their most basic rights by using this strategic weapon? What is OPEC's future? Has the oil market changed from being a buyers' market to being a sellers' market?"

[Question] What has been the respective role of the OPEC countries, large oil companies, and strategic oil reserves of the Western governments in creating the present world oil glut?

[Answer] We are constantly appealing for organization and planning of production. I do not mean programming of production, because the word "programming" scares some countries. Planning is something which is necessary in order to confront the challenges which the International Energy Agency--the strong cartel--is attempting to impose on us. But after OPEC managed to seize the reins of initiative and appropriate for itself the right to set and control the pricing policy, it [the International Energy Agency] has attempted to create, through this bloc and organization, a process of confrontation and hostility. It says that oil is a strategic material which is depletable and not renewable, whereas we are responsible for responding to the actual consumption--"the actual needs"--of the international oil market. This has been a great favor to the consumers.

OPEC is responsible for meeting countries' needs, but some countries are producing more than they need to. This is a sacrifice and means exhaustion of resources. But if I produce more than the world market requires and do damage to myself and exhaust this resource, this is an unreasonable thing to do. We should not permit the industrial countries and large consumers to undertake long-range storage of oil. Such storage of oil is not justified, and it involves very high storage costs. However, this action is based on a political objective which aims at applying as much pressure as possible in order to destroy OPEC.

Faced with this situation of long-range strategic storage of oil reserves, OPEC needs to have an emergency plan available. More than once Iraq has submitted a working paper [dealing with this problem] and many proposals have been made to deal with any storage of oil reserves which would serve to impair the future of OPEC. But OPEC has no emergency plan, planning, programming, or control of production. Naturally the industrial countries aim to diminish the importance of OPEC and consequently are attempting to deal it with the death blow in order to destroy the price structure and go back once again to the situation where they were in control of the future of this important resource.

[Question] What is the reason for the oil glut?

[Answer] It is a result of a decrease in consumption, large-scale storage of oil reserves, and alternative [supplies of oil] from oil-producing nations which are not members of OPEC. These alternative [oil supplies] partially contributed toward the creation of this glut, but they were not the main cause. Another factor is the economic recession. This is characteristic of capitalist systems. Every now and then, in a given space of years, a [capitalist] country goes through a period of recession until that country's economic situation regains its health and vitality. We believe that the present oil glut is temporary, and will last perhaps for 1 year. After that there will be a return to the situation where our influence prevails if we follow an intelligent policy in controlling production and in not giving the large countries the opportunity to undertake the storage of oil reserves. Storage of oil reserves takes place when there is a glut and high production. But when there is production planning, this prevents the large consumer nations from engaging in the process of storing oil reserves and from emerging as a force which influences production.

[Question] Has the present oil glut definitely changed the world oil market from being a sellers' market to being a buyers' market? In other words, have we once again ended up in the situation which we were in before 1972 when the world oil market was a buyers' market?

[Answer] This is a temporary phase. Oil is not a temporary commodity, nor is it a commodity which is created by capital, the labor force, or by anything else. It is a commodity which is different in its nature, influence, and importance. The matter is in our hands since we are the producers, and it is in our hands alone. We could make the market a sellers' market by controlling consumption, exercising influence over the control of production, and adopting a pricing policy which would take into consideration both the interests of the producers and the interests of the consumers. Right now the oil market is considered to be a buyers' market. But the matter is in our hands. We can eliminate the oil glut and have control of oil returned to the hands of those to whom the oil belongs, and we can have the market become a sellers' market rather than a buyers' market.

[Question] In your opinion, how long will OPEC continue to play the supplementary role of responding to the petroleum needs of the industrial nations?

[Answer] We are depending on oil not remaining a commodity, but rather on being one of the sources of energy, and on oil having a large share in the field of energy. We consider the consumption of oil as energy to be a great squandering of this depletable resource and to be something which is detrimental to future generations as well as to scientific and technical progress in the whole world.

We wish that alternative [sources of energy] would achieve the level that oil has achieved as a source of energy. But we wish to see oil utilized--and set aside only for noble uses--as a raw material in the manufacture of petrochemicals and fertilizers. The world will soon be faced with a food supply problem. Oil is able to play a great role in providing for a secure food supply by means of its being used as a raw material in the manufacture of fertilizers.

The future of OPEC is an extremely serious matter. If we do not take steps to prevent it, OPEC will be confronted by the danger of being torn apart and splitting up. Right now OPEC faces a critical test and historical turning point which might lead to the destruction of the organization--which is considered to be the spearhead in the struggle to achieve a new world economic order which would bring about justice and equality and give the developing countries the opportunity to grow and achieve progress.

[Question] Approximately how much is the OPEC countries' oil production in excess of their financial needs? Is this quantity equal to, more than, or less than the excess of supply over demand in the world oil market?

[Answer] In the market right now there are approximately 3 to 4 million barrels of oil which are in excess of the needs of the world market. There are nations which produce much more than they need to, there are some nations which produce three times as much as they need to, and the majority of nations right now are [being forced] to produce less than they need to--because of the present oil glut.

[Question] How much is the aid and assistance which the OPEC nations give to the other developing nations affected by the continuation of the present oil glut?

[Answer] We bear the responsibility of supporting the poor developing nations which do not have sources of income and which are trying to decrease the rate of inflation which is being exported to them by the industrial nations. But when the majority of producers start producing in accordance with the minimum, which is insufficient to meet actual needs, certainly this will have a negative effect on the amount of aid provided to the developing nations, and the poor developing nations will be harmed by the oil glut, the irrational policy followed, and the unjust gap between the share of each member of OPEC in the oil market.

When I cannot market 1 million barrels [per day] and I need [to market] 2 million [barrels per day], how can I aid others when I myself am undergoing a crisis?

[Question] The continual rise in the rate of inflation and the constant ups-and-downs in currency exchange rates are both becoming more and more a tool in the hands of the large monopolies to redistribute the world's income at the expense of the developing countries. In your opinion, what is the price per barrel of oil which would maintain, for the OPEC countries, purchasing power for the revenues which they receive for their oil exports?

[Answer] We do not have any problem marketing what we are allowed to produce in excess of the average amount. But for the sake of maintaining the unity of OPEC, Iraq is prepared to lose a dollar or to go down to the price of \$35 per barrels. This is why we are suggesting this figure at a time when we are not having any problem. It is not a matter of \$34, \$36, or \$40 per barrel, nor is it a matter of whims. Right now if we wanted to take into consideration the inflation, in general,



which is being exported to us, and the losses which we have been suffering as a result of the decline of the dollar, until the dollar settles at a certain level, we would certainly find that the price of oil [should be] more than \$36 per barrel.

But if we also wanted to take into consideration the policy of discrimination which the industrial nations have been following with respect to the OPEC nations, then the price of oil should certainly be much more than \$40 per barrel. You know very well that if the normal price of a commodity which we buy from the West is \$5, it becomes \$10 when the Western countries find out that the buyer is one of the OPEC countries. This is a vicious policy of discrimination. The inflation which is exported to the oil-producing nations is much higher than the inflation exported to the non-oil-producing nations. In any case, we have not yet arrived at the actual value of oil as a source of energy. But if we want to take into consideration the value of oil as a raw material in the manufacture of petrochemicals, [we should realize that] a barrel of oil which has been converted into petrochemicals is worth 50 times its original value.

The revenue received for a barrel of oil which has been converted into petrochemicals is, right now, no less than \$2,000.

When I take this barrel of oil out of the ground, I should be compensated in terms of capital accumulation for what has been lost in the ground. So far oil prices have been below the actual value of this resource. If we take into consideration inflation and the decline of the dollar, the losses which have been suffered by the oil-producing nations have been \$242 billion alone because of the decline of the dollar. A nation has the right to sell at the price that it wants to. But it does not have the right to go down to the minimum price. If OPEC wants to maintain its international future with regard to supporting the developing nations, then [it should know that] any separatist or individualist position [taken by individual members of OPEC] will lead to the destruction of OPEC. Those members of OPEC who have stood against the majority consensus need to reexamine the matter of prices, bearing in mind the preservation of OPEC's unity and the future of the developing nations. Oil, like blood, flows in the veins and arteries of the world. The Arabs are not the only ones concerned about this important economic circulation system. But if the oil-producing nations' power of influence is snatched away from them, this will represent a golden opportunity for the oil monopolies to pressure the OPEC nations. It also would represent the loss of a golden opportunity, as far as the oil-producing nations are concerned, to achieve the aspirations of the developing nations.

The oil glut which one OPEC nation has forced on the world has been imposed from outside OPEC.

[Question] What is Iran's volume of oil production, and what has been the effect of the decrease in oil prices on its [oil] exports and on the manner in which Iran sells its oil?

[Answer] Iran's volume of oil production is 800,000 barrels [per day], and Iran sells its oil by means of bartering. What this means is that they do not know at what price they are selling the oil. This tends to destroy the price structure.

Of course, the greatest achievement which OPEC has accomplished in its struggle has been that of taking the oil pricing policy initiative away from the grasp of the oil companies and the consequent elimination of posted prices and reliance upon official prices as the basis of contracts. The elimination of this achievement would be something of tremendous significance to those who are trying to destroy OPEC.

[Question] Does the oil glut tend to play a role in prolonging the war between Iraq and Iran?

[Answer] The fact is that if it were not for the oil glut--the aim of which perhaps is to prolong the war--this war would have already come to an end. This is within the scope of the plan which is attempting to undermine the will power, strength, and efforts of the Arabs, and is attempting to preoccupy many parties, including Iraq itself--which is the center of power relied upon in the battle against the Zionist enemy. Iraq's resistance to the Iranian enemy--with all of the advanced weapons which Iran has--affirms the fact that Iraq, with its capabilities, is capable of facing Zionist challenges with conventional weapons. The reason I am saying this is that the weapons which Iran has are the same weapons which Israel has. In fact, Iran is better armed than is the Zionist enemy.

Let me emphasize that the oil weapon should be unsheathed in the faces of our enemies and should constitute a guarantee for us to regain our rights and protect ourselves.

9468

CSO: 4404/33



YAMANI EMPHASIZES NEED FOR STRONGER OPEC

London AL-DUSTUR in Arabic No 199, 14 Sep 81 pp 30-31

[Interview with Shaykh Yamani, the Saudi oil minister, in Geneva, by Ribah Shaykh al-Ard: "OPEC Was Created in Order To Stay"; date of interview not given]

[Text] The OPEC meeting which was held last May ended in disaster, as some pessimists are saying. It ended with the postponement of [seeking solutions for] deep-seated differences concerning rates of oil production and determination of oil prices till the next conference which will be held in Abu Dhabi. What is the background of this stormy meeting [which was recently held]?

[Question] What are Shaykh Ahmad Zaki al-Yamani's impressions about OPEC's latest meeting in Geneva?

[Answer] I was told, before we came to Geneva, that an agreement was about to be reached and that the member states of OPEC were ready to accept the price of \$34 per barrel as a limit--the limit which was accepted here in Geneva last May. It was on the basis of this that we came to this consultative meeting. But, unfortunately, this did not happen. At the meeting haggling went on to raise the benchmark price from \$34 a barrel to a higher price. But the average price in the market today is about \$34 per barrel. Raising the price higher than that means raising the prices of oil, and this is something which we do not want. Actually we are very content with the price of \$32 per barrel, and we think that we should keep this price as the limit. Nevertheless, we accepted the price of \$34 a barrel in order to reach a compromise. But, if we have another meeting, I do not believe that we will raise the price to \$34 per barrel. We want to maintain a price level of \$32 per barrel till the end of 1982.

[Question] How will this sharp decision affect OPEC?

[Answer] I am expressing the feelings of Saudi Arabia when I say that OPEC not only serves the interests of Saudi Arabia and its member states, but also serves the interests of the entire world. It is in the interest of the international community to have a strong OPEC. Saudi Arabia will certainly make the greatest possible effort to strengthen and consolidate OPEC. Even though some difficulties exist, this will not be as harmful to OPEC as some people and some governments would wish it to be. Everyone should realize that OPEC was created in order to stay. In order to show its good will, Saudi Arabia has decided to lower the level of its

production by 1 million barrels [per day] during the current month of September. Our ARAMCO production this month will be 9 million [barrels a day] rather than 10 million or more. Of course, the Neutral Zone will continue with its present production as far as both Kuwait and Saudi Arabia are concerned. Saudi production [figures] will be released at the end of each month. This means that October's production will be released at the end of October. But the decision to decrease production is limited to September's production, which will be sold at \$32 per barrel. We will decide from month to month concerning our situation.

[Question] After September, will you take still another step in order to demonstrate your good will?

[Answer] No, I am not saying that we will.

[Question] You, then, will not accept an increase in price to \$34 per barrel at the end of 1982. But is it possible that production will increase instead of decreasing?

[Answer] Everything is possible.

[Question] What is the benefit in telling people, at the end of the month, what the production of the preceding month has been?

[Answer] This is what we used to do in the past. We are only resuming our former good habits.

[Question] Was the price freeze and decrease in production a type of compromise?

[Answer] We did not reach agreement. There has always been a lack of agreement. We have not enjoyed a uniform price system for more than 2 years. It will not hurt us if this continues for another half year or thereabouts.

[Question] Is it true that the decision which you have made to decrease production by 1 million barrels per day was taken in order to prevent prices from declining between now and September?

[Answer] What I am interested in is \$32 per barrel. I will hold to this price. I am not interested in any price which is higher than \$32 per barrel.

[Question] During the upcoming meeting in Abu Dhabi, will the price of \$32 per barrel be the only minimum [as published] which can be accepted in view of the actual situation?

[Answer] Anything is possible from now on.

[Question] Do you believe that decreasing Saudi production will contribute toward the reaching of an agreement during OPEC's next meeting in Abu Dhabi?

[Answer] No, this was not the intention. The Abu Dhabi meeting is still a long way away. Before that date many things will happen. However, we have taken this step in order to demonstrate our good intentions and feelings and in order to show our colleagues that the problems are actually greater than they have expected.

[Question] Has the news concerning the oil deal made between the U.S. and Mexico had an effect on your deliberations?

[Answer] A deal between one government and another concerning Mexican oil is like a drop in the ocean in comparison with the quantities of oil which we are talking about. It has no effect on the market.

[Question] Can you also assert that the agreement made between Texaco and (City Services) for the former to supply Saudi oil to the latter for a period of 18 months represents a "drop in the ocean"?

[Answer] I have not heard about this agreement.

[Question] On the basis of what analysis did you decide to decrease production by a million barrels [per day]?

[Answer] I have said that this is a gesture of good will. When a person makes a gesture of good will, he does not analyze or go to a computer.

[Question] Have you informed your colleagues, the other ministers of oil, that you are going to decrease production by 1 million barrels per day?

[Answer] When we failed to reach an agreement, I informed them that I was going to decrease my production. But I did not inform them how much the decrease would be. But they will find out right now because right now I am mentioning the figure for the first time.

[Question] It is said that you have encountered difficulties in selling 10 million barrels per day and that this is the reason why you today have decided to decrease production. Is this true?

[Answer] Difficulties in selling the oil when the price is \$32 per barrel? No sir! We could raise production to 11 million barrels a day.

[Question] Could one say that political pressure was put on Saudi Arabia, by means of getting in touch with the king, to have Saudi Arabia take a more flexible position?

[Answer] I do not deny the possibility of this. However, our position has been clear from the beginning. And I believe that political pressure is of no use.

[Question] Will a link be made between the level of your prices or the quantity of your production and whether or not the U.S. sells the AWACS planes to Saudi Arabia?

[Answer] No. I have already said that the problem so far is an economic one.

[Question] At the last OPEC meeting the representative of Iran said that the differences [among the members of OPEC] have become of a political rather than an economic nature. Is this true?

[Answer] Yes. A debate took place which was, unfortunately, political--if I may use that expression. But if we speak objectively, not taking any political background into consideration, then I say that the price should be \$32 per barrel and no more.

[Question] Could you tell us what the elements of the political problem were?

[Answer] I am not a politician and cannot specify these elements. But it appears that lowering prices is an extremely difficult matter. Take, for example, what happened once in Mexico. I do not know anybody who wants to repeat that experience.

[Question] Have political factors come to the point where they are something which dominate OPEC? Does it not, to some degree, constitute political concessions when the other nations are forced to lower their prices in order to conform to the Saudi price?

[Answer] This is a matter which must be left up to each country to interpret individually. As far as I am concerned, I do not see this as being concessions. I believe that when a person is confronted with economic facts, he has no choice but to deal with them. All important international organizations in the world raise and lower their prices in accordance with changes in economic realities without feeling that this represents some sort of humiliation.

[Question] You have said that you do not wish to blame any delegation for this meeting's failure. However, some of the delegations blame you for this. How do you respond to this?

[Answer] I do not wish to defend myself, nor do I need to do so. It is quite clear that I am not the one who has done this. The truth will be known fully some day, even though only half of it is known today.

[Question] For a long time you have been allied with Venezuela. Were you surprised when Venezuela refused to lower its price below \$36 per barrel?

[Answer] Its position does not mean that we are no longer allies. But I really was somewhat surprised. Our figures indicate that the price of oil in Venezuela is actually \$35 per barrel. Furthermore, half, or about half, of Venezuela's exports [of oil] are sold at very low price levels. If we take the net figure, I believe that the price of Venezuelan oil is much less than \$35 per barrel. This can be confirmed by any economist who specializes in oil affairs. For this reason, it is likely that Venezuela's inability to lower its price is due to political reasons rather than economic reasons. I have said that I do not know very much about Venezuela's internal politics, and for that reason I cannot pass judgment concerning this matter. Venezuela's position did surprise me. But Venezuela, on the other hand, was a founding member of OPEC and has done a lot for the organization in the past. And I believe that Venezuela is still doing a lot today to support OPEC.

[Question] The Iranian oil minister has said that Iran, if it wanted to, could produce 8 million barrels a day during peacetime, but that it would not do this. Do you think that this is a realistic figure? Is it possible?

[Answer] (Mr Yamani smiles and makes no comment.)



[Question] This is what he said, and I am now waiting for your answer!

[Answer] In spite of the little information that I have about Iran and its oil wells, I know that the most that Iran was able to produce during the reign of the shah was 6 million barrels a day. Iran was forced to decrease its production because of technical factors. A dispute arose among technicians concerning the necessity to lower the production to 4 million barrels a day because this was a better production level. But the shah wanted to produce 5 million barrels a day instead of 4 million. Then the Iranian "revolution" occurred, the shah was expelled, and then he died. Today we do not know what the present condition of the oil wells is.

[Question] Was the matter of differences in prices one of the problems brought up for discussion at the recent OPEC meeting?

[Answer] Yes. This was an important problem, especially for North Africa. Nigeria felt that the differences in prices should not be more than \$2.5 per barrel. Perhaps it was prepared to increase the price [difference] to about \$3 per barrel. (This means \$3 above the new index price, if it were agreed upon to take into consideration the difference in type of oil.) But the Algerians felt that the price difference should be at least \$4 per barrel and they wanted it to be \$4.5 per barrel.

[Question] There is no doubt that the step taken by Saudi Arabia to reduce its production is a moral step in that it is an expression of good intentions. But if Saudi Arabia, for the first time as far as I know, has begun to make a link between quantity of production and level of prices, will Saudi Arabia from now on continue to maintain this link which has been established?

[Answer] What do you mean by establishing a link between amount of production and level of prices?

[Question] You are discussing both production and prices, whereas before you used to take the position that production is a matter which has to do with the sovereignty of each country. But now you are taking this important step of reducing production within the framework of discussing the achievement of uniform prices.

[Answer] No! I merely informed them of what we had decided. I did not reach an agreement with anybody about this.

[Question] People have accused Saudi Arabia of creating the excess of oil production on purpose, or they have said that it was the result of Saudi Arabia taking the position which it did with regard to production last May.

[Answer] I think that we are through with this matter now. We are no longer engaging in a dialogue with our friends. They now know the "realities of the market." I believe that the decline in demand due to the price of oil is a principal cause which we must deal with. The reason is not the level of Saudi production. We could eliminate this oil glut if we greatly lowered our production, but we will not embark upon this step.

[Question] Will the lowering of Saudi production lead to eliminating, or at least to curtailing, the oil glut in the international market?

[Answer] No sir! A million barrels per day will not eliminate the glut. I believe that the oil companies, as long as they do not expect an increase in oil prices, will not resort to storage of oil. Perhaps we will see some decrease in the amount of oil stored (in the world), and this will then constitute additional oil supplies which will come into the market and contribute toward increasing the glut rather than decreasing it.

[Question] If an agreement could be reached between you, would you either right now or this week announce a great decrease in quantity of production?

[Answer] If an agreement were reached, we would not greatly reduce our production level in Saudi Arabia. This would not happen by virtue of Saudi Arabia taking such a decision, but rather by virtue of the forces which influence the marketplace.

[Question] Even [if production went down] to the level of 7 million barrels per day, as some people have quoted you as saying?

[Answer] This, as you know, depends on the level of production in other countries, especially when the Iraqi-Iranian war ends.

[Question] Ideally speaking, in order to eliminate the oil glut, what should be OPEC's production from now till the end of the year?

[Answer] In order to eliminate the oil glut, oil prices should ideally be \$28 per barrel. This is true! If I wanted to apply the ideal formula which I have been talking about for a long time, my price in relation to 1 January 1974 should be \$28 per barrel today.

[Question] Down to what level will this price help to bring production?

[Answer] It will not bring it down. It will only increase the demand for production.

9468

CSO: 4404/33



## FOREIGN BANKS SEEK MERGERS

Cairo THE EGYPTIAN GAZETTE in English 2 Dec 81 p 2

[Text] The tendency to convert the Egyptian branches of foreign banks into joint banks is a matter of controversy which currently preoccupies both Egyptian and foreign bankers.

Egyptian banking circles consider the tendency as dangerous because it might expose the Egyptian money market to serious loss by depriving it of the advantages secured by foreign banks particularly in view of the fact that eight foreign banks have already submitted requests to convert into joint banks.

The tendency began when the Deputy Prime Minister for Financial and Economic Affairs, Dr Abdul Razzak Abdul Meguid gave the idea the green light late last year. At that time, the Investment Authority approved the convert of three foreign banks into joint banks.

The three banks were the Credit and Trade Bank, which has already converted itself into an Egyptian joint company. The second was Citibank, which voiced its objection to the suggested formula, and the third was the International Arab-African Bank whose Kuwaiti President, Mr Ibrahim al-Ibrahim, said that they wanted a branch of their bank in Egypt to deal in Egyptian and foreign currencies. "We did not ask to merge our bank into an Egyptian corporation" he said.

Mr Al-Ibrahim also said that the International Arab-African Bank has a special status as it had been incorporated by agreement between the governments of Egypt, Kuwait, Iraq Abu Dhabi, Jordan and Algeria. "Accordingly" he continued, "It is only governments of such countries that have the right to change the status of a bank" Mr Al-Ibrahim said.

An easing of this tendency was noted early this year, only to be aroused by the government's decision to reorganise import policy, and Egyptian banks were given the exclusive right to open documentary credits for imports of foodstuffs and intermediary goods while the third category of imports, namely luxury goods, was left for Egyptian, joint and foreign banks to compete in.

When foreign banks complained of the diminishing market, Dr Abdul Meguid advised them to convert themselves into joint banks. Eight of them already submitted requests for this purpose and so the controversy continued.

## ASSEMBLY ALTERS RESTRICTED WORKING HOURS

Cairo THE EGYPTIAN GAZETTE in English 7 Dec 81 p 2

[Text]

THE controversial issue of restricted working hours for artisans and shops in Greater Cairo was settled at the People's Assembly yesterday when the First Deputy Prime Minister, Dr Fuad Mohiaddin, announced that the Government approved their amendment in compliance with proposals by some members.

Closing time, according to Dr Mohiaddin, will be at 7 p.m. instead of 6 p.m. except Thursdays when closing time will be extended to 8 p.m. Opening time will remain as set at 10 a.m. in winter as before.

The new working hours for artisans and shops in Greater Cairo was introduced last November for a test period of 4 years with room for amendments

if found necessary. The system originally stipulated opening time as 10 a.m. and closing time 6 p.m. in winter and 7 p.m. in summer.

Dr Mohiaddin said that the Government approved retention of the present opening time in winter for artisans and commercial shops as proposed by the members of the People's Assembly.

He added that the Greater Cairo Governorates of Cairo, Giza and Calubia would have to find another day in the week apart from Thursday to extend working hours for shops to 8 p.m. Monday was proposed as a substitute.

Dr Mohiaddin said that the new working system had contri-

buted to a surplus of L.E. 18 million in public transport, reduced traffic congestion by 25 per cent and saved power consumption by 5 per cent.

Among the advantages of the system was an improvement in family care for children as fathers had more time to stay at home, he added.

He said workshops involved in production could remain open after closing time providing that they did not deal with the public. Shops working in services such as tyre maintenance would benefit from an amendment allowing one shop in each district to remain open.

CSO: 4500/73

# EXILE GROUPS CONTINUE TALKS

London IRAN PRESS SERVICE in English 3 Dec 81 pp 1-4

[Text] Rumours of a breakdown in the talks between exiled opposition leaders on the possibility of forming a coalition of the main groups were denied to IPS by one of the chief figures in the discussions, former premier Ali Amini.

The rumours said that Amini was to announce that he had come to an agreement with three former National Front politicians in Ahmad Madani, Hassan Nazih and Ahmad Bani-Ahmad to cooperate without the inclusion of National Iranian Resistance Movement chief Shahpour Bakhtiar and monarchist organisations.

"There is no truth in these stories," Amini told IPS. "Talks continue at a slow pace with the aim of dissipating the differences between the individual groups. There is nothing to despair about...but nothing yet to make us very optimistic, either."

The coalition talks seem to have received their stimulus from a manifesto published by Madani early last month. In it he offered, in the view of experienced Iranian political observers, a "positive platform" for all the political heirs of the late nationalist leader Mohammad Mossadegh to form a united front and subsequently work out a larger coalition with the loyalist groups. Madani and Nazih were all members of the National Front party which Mossadegh led. Bani-Ahmad was close to their line in opposing the Shah's regime. Madani has said that his "political chart" is simply a set of suggestions. "I make absolutely no claim that all of what I suggest should be accepted," he explained. "Our group will neither regard any of its proposals as final, nor lays claim to any position or office. We must leave all that to the people of Iran. Our group will fight alongside others against the insane criminals now wielding power in Iran."

Madani has proposed a three-phase plan of operation. Phase one concerns efforts to overthrow the Khomeini regime, in which all patriots, irrespective of ideology or inclination, must cooperate fully, he says. He does not specify how the regime in Tehran should be overthrown but stresses that this phase should be accomplished in a decisive manner in the shortest possible time, to be quickly followed by phase two.

During this phase he believes that an emergency situation should be declared during which a provisional council would take collective responsibility for administration

of the country, acting in lieu of a head of state. He does not go into any details as to any composition of the provisional council, nor does he suggest any time limit. The council would choose one of its members to head a provisional government.

Madani insists on giving the head of the provisional government clear-cut responsibilities with power to act on them. Having served as defence minister in the post-revolutionary provisional government of Mehdi Bazargan, he knows how a lack of such clear-cut terms of reference emasculated the Bazargan cabinet.

He drew up a nine-point plan of operation for the council during the emergency phase. The nine points would be achieved while the provisional government, ruling by decree, effectively turns conditions to normal, administers the country, restores rule of law and even begins some short-term measures designed to reactivate the economy.

The first point in the plan is the complete ouster of the theocrats. He clearly advocates that the principle of V layat-e-Faghih, which is Khomeini's brand of Islamic theocracy, should be abolished and the Islamic constitution and all other institutions emerging from it should be declared null and void.

Point two provides for drafting of a new constitution. Madani shows a remarkable open-mindedness in his proposals on this. He and his group favour a republican form, but he believes that during the interim period, when work on drafting of the constitution goes on, adherents of various kinds of regime, whether monarchy or republican, could and should have access to all the media to put forward their case. This is a far cry from the April 1979 referendum when Iranians were given a simple choice between Khomeini's Islamic Republic of continuation of monarchy, at a time when a dozen or so monarchists were being sent to firing squads every day.

Madani comes out in favour of separation of religion from politics, which draws him close to the other secularist groups. This is the first time Madani, a devout Muslim himself, had opted unequivocally for secularism. He also calls for a two-chamber parliamentary system, along the lines of the United States Senate and Congress. Other main lines of his policy are along lines advocated by almost all other nationalist groups, although he can be criticised as dogmatic over non-alignment and a mixed economy.

More specifically, he says that the war with Iraq must be ended at once without compromising of Iran's legitimate rights. On the Persian Gulf he stresses that Iran should not act as its sole gendarme; rather she should seek cooperation with all the other states in the region. He says that the legitimate interests of all neighbouring nations, including Iraq, must be respected, but any damaging pact signed by the "present usurpers of power" in Iran would be null and void.

Madani's manifesto came four weeks after the publication of an open letter by three members of the National Front Central Council in which they asked leader of the National Iranian Resistance Movement Shahpour Bakhtiar to unite with other nationalists (naming only Madani) to put an end to the ruinous rule of the mullahs. The three--Mehrdad Arfazadeh, Hamid Zolnour and Hushang Kordestani--praised Bakhtiar's political courage in Dec 1978 in standing up against Khomeini, and they asked him to show the same political and moral courage now by bringing all the nationalists under one umbrella. "Please leave aside any criticism or objections which you may have over the past records of other personalities," they pleaded.



Meanwhile, Ghame Iran, the organ of Bakhtiar's National Iranian Resistance Movement, said in an editorial on Nov 20 that changes on the political and social scene at home since 1953 (when Mossadegh was overthrown) and a host of other factors had basically changed the position of the National Front in Iranian politics.

The editorial said that the present struggle of the Iranian people was no longer an "organic continuation" of the struggle which the Front had started 30 years ago. It said that the way some Front leaders had capitulated to Khomeini, together with the Front's other failures, had brought about a situation in which it could no longer be the dominant nationalist force.

The editorial said that at this juncture all the nationalist forces must join hands to oust the present usurpers of power in Iran, and that those leaders and organs of the Front who had not capitulated to Khomeini must now join forces with others in the nation's great struggle.

"The unity of purpose among those National Front leaders who remained sincere to the true line of the struggle and who did not fall (to Khomeini) will be valuable only in maintaining a connection between the struggle begun by the National Front (in 1953) and the present struggle of the Iranian people," the editorial concluded.

Independent observers believe that Bakhtiar's group are careful at this juncture not to attach an undue and unrealistic importance to the National Front. They also do not wish to give an unconditional clearance to all those personalities and groups (like Bazargan) who either out of political ignorance or opportunism jumped onto the Khomeini band wagon in Dec 1978, despite Bakhtiar's timely warnings.

What remains to be clarified is Bakhtiar's open reaction to Madani's new move. By all accounts Madani was among those "nationalists," who in late 1978 and early 1979 deviated from the National Front's declared policy of secularism and joined Khomeini. Indeed, Madani acted as defence minister when Khomeini took over. But he was soon forced to resign; then he was made commander of the navy and governor-general of Khuzestan province. His record in both these positions was good; but his services were also helpful in consolidating Khomeini's hold on power. Later Madani stood as a presidential candidate and could have won if Khomeini had not given a signal to the mullahs to bring Bani-Sadr's name out of the ballot box. Finally, Madani was elected to the Islamic Majlis from his native city of Kerman. But he fled the country when the mullahs called for his execution.

Few people doubt Madani's sincerity or his devotion to Iran. Yet collaboration with Khomeini is now regarded such an act of treason that Madani's record is bound to impair his position. That being so, his latest move shows a high degree of political maturity which could go some way to redeem him. That is why independent observers believe that the ground is paved for a move to forge a fusion between all those who claim to be political heirs to Mossadegh; namely, Bakhtiar, Madani, Hassan Nazih, Moghadam Maraghei, Ahmad Bani-Ahmad and some other National Front leaders, but definitely not people like Bazargan, Karim Sanjabi and Bani-Sadr, who are far too closely identified with the mullahs' rule.

There are also reported to be objections by some people to Bani-Ahmad, who has been accused of having been too close to Soviet agents in the past, sources said.

This despite the fact the evidence of this adduced by opponents cannot be confirmed. Bani-Ahmad has indeed always shown a determined independence.

Once the political heirs to Mossadegh have formed a united front they could then encourage military and civilian groups committed to monarchy to form in turn their own united front and the two could between them create what could be called a nationally representative and credible opposition to Khomeini's theocracy, Iranian observers believe. Front figures still have a sizable following among young people, the professional classe and the bazaar, while the monarchists have strong backing in the army, the civil service and among those big sections of the masses who are traditionally royalist, such as the tribespeople and peasants. Indeed, one secret of Khomeini's success was that he automatically replaced the Shah as the "top man," and so the peasantry switched their unquestioning and traditional allegiance from the "Shah with a crown" to the "Shah with a turban," according to many Iranian observers.

They point out that both "Mossadeghites" and the royalists should be able to agree on choosing an elder statesman like Ali Amini, erstwhile premier and veteran political figure, to act as a chairman or arbiter at the meetings which might be held to negotiate the final terms of a grand coalition. Eventually Amini could be a leading candidate to chair the proposed council for national salvation. He is one of the few surviving politicians in Iran who have proved their skills and prowess.

Indeed Amini like Bakhtiar, has in the past proved that he has the courage of his convictions. In 1952 and 1953, when Mossadegh was desperately looking for a way out of the political deadlock into which he was driven by his popularist stand, Amini advised him to resolve the oil problem according to a World Bank formula. Many observers believe that Mossadegh was in favour of Amini's advice but preferred someone else to do it. Eventually, Mossadegh was overthrown and it was Amini who finally resolved the oil problem by courageously putting his political weight and skills behind the 1954 agreement.

Although followers of Mossadegh condemned that agreement at the time, today specialist opinion is that under the circumstances it was the best deal which until then an oil producing country had received. The agreement paved the way for the establishment of OPEC and other advantages for producers but Amini has never claimed personal credit for this.

As far as Bakhtiar is concerned, other observers point out, other aspirants to political power must remember that it was he and he alone who had the courage to try to save Iran when it stood on the precipice over which it later fell, and that as the country's last prime minister before the degeneration into unconstitutional anarchy he must be seen as a pivotal figure of a united opposition movement. While Amini is now at the end of his career Bakhtiar can still hope to have a crucial role to play for a considerable period ahead in the political future of his country, and his decisions now are harder for him to take with that in mind. It is perhaps with the resolution of the problem relating to their individual status in any coalition of opposition organisations that its success will be achieved.



Independent observers believe that the "Mossadeghites" and all the other centrist and rightist groups must bury the hatchet, forgetting the past and anything which has a divisive influence, to join hands to save the country. Khomeini's emergence has so radically changed the political scene and so gravely endangered the country that discussions of the late Shah's anti-constitutional deeds and the corruption of his aides, or the talk of Mossadegh's mistakes serve no real purpose, they point out. All concerned must forget the past and adopt only one single yardstick to measure a leader's patriotism, and that yardstick is how much he is prepared to sacrifice to save Iran from the most devastating enemy she has encountered since the Mongol invasion, it is contended.

CSO: 4600/148

IRANIAN WARFRONT VICTORY APPEARS CONFIRMED

London IRAN PRESS SERVICE in English 3 Dec 81 pp 4-5

[Text] All the signs by midweek pointed to the fact that the Iranian armed forces had achieved their second significant victory over the Iraqi army near the strategic border town of Bostan in south-western Iran. Three months ago the Iraqis were forced back across the Shatt-al-Arab waterway by the forces defending Abadan.

Unlike its actions after the abortive drive at Susangerd earlier this year, when a much-hailed victory turned into defeat, Tehran radio and the whole of the Tehran media has continued to boost the victory over the past week. After the Susangerd debacle all reference to the battle was dropped within a brief space of time.

Reports from the Bostan area speak of large numbers of bodies littered around the area after the battle. Tehran quickly countered Iraqi denials of their defeat with invitation to foreign correspondents to come to the area and see for themselves.

Reports from foreign correspondents who visited the front in the last few weeks had also suggested that the Iranian forces, in spite of shortages of equipment and arms, were in good fighting order and felt they now had the initiative. Resentment seemed directed at the officials in Tehran who had been unable to obtain for them the same supplies of needed equipment as the Iraqis had been able to get.

Jusy Dubie, of Belgian television, who recently visited the battlefield, was quoted as saying that, as far as he could tell, the Iranians undoubtedly "had the upper hand."

"Morale was very high among the Iranians, especially among the revolutionary guard units who receive all the modern, Soviet-made weapons," he said. "They take on even heavy battle tanks. If there is a lack of coordination between the regular and irregular armies both seem to do their jobs well and appear to have a net superiority over their enemy."

But, Dubie went on, the Iranians were visibly hard-pressed for spare parts, particularly for their sophisticated U.S.-made weapons. Nevertheless, their performance to observers was superior to that of the Iraqis.

Sources in Tehran told IPS that many spare parts for tanks and artillery were now being made in Tehran and, thanks to the newly-found skill in "cannibalisation" of

the big stockpile of arms and equipment built up under the late Shah, the armed forces had been able to keep much of their hardware in action.

The mullahs have so far failed to bring off any sizable purchases of badly-needed parts and equipment, but some Western and Israeli experts believe that the U.S. has given tacit approval to a number of countries, including Israel, Greece, Spain, South Korea and several Western European countries, selling to Iran what it needs, except for some highly sophisticated spares for its air force. It is thought that some sales have now been effected, including ammunition for its heavy battle tanks and long-range artillery.

Some Iranian observers have pointed to the fact that the new offensive by the Iranians followed hints from Iraqi president Saddam Hussain that he was ready to withdraw his forces from Iranian territory if an opposition government in exile approached him and asked him to do so. This was a clear message to people like former president Bani-Sadr and his colleague Massoud Rajavi, or to other opposition groupings. A sharp defeat for Saddam, the Tehran authorities must have appreciated, would show that the Iraqi leader was unable to honour that pledge with any security because he was not in control of events along his border.

None of the opposition groups appears to have reacted to Saddam's hint. "Perhaps that reflects their lack of political sense, for it seems to have provided yet another opportunity that has been missed," commented an Iranian observer in London. "It was in the same way they lost the chance offered by Saddam's attack on Iran--so Khomeini's regime continues to be the main slaughterer of Iranians most of the time, as well as obliterating what is Iranian on a much wider scale than the Iraqi army could."

The Bostan victory has for the moment given the mullah's regime a little more popularity, and there was a good response to a call to the public to go onto their rooftops and cry "God is Great!" for 10 minutes earlier in the week.

But the army, too, must now be getting new confidence and new muscle to bring pressure on the mullahs in the future. As the country's military chief General Zahir-Nejad put it this week, "It's first Karbala (the Shia holy shrine inside Iraq), then Jerusalem." But once the war is over, say some, the army could change the label given to its offensive, "Towards Jerusalem," to "Towards Tehran" if the mullahs do not show they can offer the support the military people feel they should now get.

CSO: 4600/148

MUSSAVI RIDICULES REPORT ON SOVIET SECURITY ASSISTANCE

London IRAN PRESS SERVICE in English 3 Dec 81 pp 6-7

[Text] Prime Minister Mir Hussain Musavi ridiculed a TIME magazine report that 36 Soviet agents had arrived in Iran to help organise the security services there when he gave an interview to the Tehran daily ETTELAAT.

"You should read the original article," he said. "They say that the lies were so thick that no one could believe it. The article has started with fantastic details about 36 people who are staying in a hotel, where they have eaten, who they have talked to. They have put together the names of the most fantastic places and things and the writer of the article has put this in together with a cartoon.

"I think the aim of this is to give the reactionary regimes of the region, who are always using the danger of communism and Russia as means of explaining the presence of the United States, to explain the recent American manoeuvres. For example, in recent manoeuvres when American soldiers landed within 100 kilometres of Mecca and Medina. Or to explain the presence of the AWACS.

"It is interesting that immediately after the publication of this article, they wanted to make this news very big and REUTERS claimed that upon questioning a spokesman in the Prime Ministry, the spokesman said that this news was not true. They really made an issue of it, whereas the Prime Ministry does not even have a spokesman. Then immediately after this news they announced that the PLO had sent 15,000 security personnel and guards to protect Iranian personalities, and to assist the security and intelligence organisation of Iran.

"This is all because our 36 million people, who all act as intelligence and security agents, have been most successful in routing terrorism. They want to make a failure out of our success. Our people are used to these lies and will not believe them. But it might make a difference to the countries in the region. We have to be alert about this."

CSO: 4600/148

# REGIME SAID TO ALLAY PUBLIC FEARS OVER FINANCIAL SITUATION

London IRAN PRESS SERVICE in English 3 Dec 81 pp 7-8

[Text] There were ample signs of the regime's concern over its financial situation over the past week, despite reports of steadily increasing oil exports.

Ayatollah Khomeini himself, in a speech reflecting an unusually conciliatory mood, asked the public to put its money into the banks to support the country. Observers saw this as a new sign that people were withdrawing funds in fear they will lose them if the economic situation worsens and the government faces a severer crisis.

Premier Mussavi in an interview also stressed that the government would protect the public's deposits, both on Islamic and legal grounds. He said assurances given by Majlis Speaker Hashemi Rafsanjani at Friday prayers in Tehran had won the trust of the people and they were once more depositing money in the banks to help this economy.

He explained that the government's announcement that it intended to reduce the amount of money in circulation meant that government spending had to be cut and public wastage had to be curbed so that the value of the rial did not drop. If the government injected more money into the system it would cause inflation.

"Unfortunately, since the terminology of the announcement was slightly technical," Mussavi said, "counter-revolutionaries have used it against us. They have claimed that the government has bad intentions on the people's deposits in the banks. In the Islamic republic no one has the right to take action against the people's deposits and no one has the intention of confiscating them.

"We are trying to attract people with capital to invest it; they should circulate their capital and they should know that the Islamic republic government will protect their investments. We also protect people's deposits. The government's actions are limited by law--we have all kind of checks, the Majlis, the Council of Guardians, and then there is the velayat-e-faghih. We plan to expand the cooperative sector and the private sector will have its role as well. None of the authorities has talked of getting rid of the private sector. These rumours are spread by counter-revolutionary forces. They have started a vast campaign against us!"

Further signs of the public disquiet were shown by statements on high prices made by the prosecutor of the trade guilds, Javad Sadeqi, and the head of the courts which



investigate charges brought against the various guilds, whose name was given as Nazemzadeh.

After the usual preliminaries blaming the war, the economic boycott and middlemen for the main increases, Sadeqi said another reason was that all the factories taken over by the Foundation for the Deprived (from owners who have fled the country or who could not continue to run them) had lost production because of the failure of management. For example, he said, Iran National (which builds Hillman cars) had to raise the prices of some of its products by 100 per cent. Other companies like Melli Shoe also sold their goods at high prices and this matter had to be dealt with. As had the question of merchants who sold imported goods at a ridiculously high price.

Sadeqi said that cooperatives could play an important part in controlling prices and distribution of goods. "In this connection we must dismiss a number of managing directors of cooperatives and elect new ones. We must also reorganise the factories and appoint managers who can increase production," he said.

Sadeqi went on to promise the purging of middlemen around the fruit and vegetable markets, and that the produce would be available throughout the capital with uniform prices shortly. He said that provocateurs whose aim was to destroy the economic system would be punished; considering they were at war, if their evil intentions were proved their punishment would be execution.

Nazemzadeh also inveighed against the "economic terrorists" who sold goods in Iran and received payment in foreign currency outside, who hoarded goods, or who, "with their friends and connections, get factories closed down," and promised they would suffer severe punishment from the revolutionary courts. He also attacked rumours that shops would be closed or goods rationed to them, which he said were spread to worry the people.

CSO: 4600/148

IMPROVEMENT SEEN IN QUALITY OF PERSIAN-LANGUAGE PRESS IN WEST

London IRAN PRESS SERVICE in English 3 Dec 81 p 9

[Weekly column by Teezbin]

[Text] After a couple of years of simple trading of abuse the Persian language press in the West has raised its standards perceptibly over recent months. And the past week has seen a very promising publication in the monthly RUZEGARE NOW (NEW TIMES), a magazine dealing with a whole range of subjects from political to cultural affairs, whose publisher is Iran's long-serving former ambassador to Saudi Arabia Jafar Raed. Raed is one of his country's best known Arabists.

His editor is Esmail Pourvali, an equally well-known journalist who was editor-in-chief of the influential newsweekly BAMSHAD in Tehran in the later years of the Shah's regime. The new publication shows promise of becoming the most serious, professionally produced of the plethora of Farsi publications put out by the exile community. It says it wants to be a vehicle for helping Iranians to adapt themselves to the "new times," the changes which they must face up to.

As a forerunner to what he hopes will become a series of articles by former ministers, diplomats and others with authoritative stores to tell, Raed has written an absorbing piece about the days when he served the famous religious leader of the '50s, the late Ayatollah Kashani, as a voluntary interpreter. According to Raed, Kashani, following a meeting with Said Ramadan, a prominent Muslim Brotherhood leader, refused to sponsor the Brothers in Iran because he considered their organisation was communist.

Raed also recounts the story of how, on a pilgrimage to Mecca which was made possible by the provision of American warplanes for the hajis, the ayatollah had a row with King Saud over the rights of Shia Muslims to observe their own rites at the pilgrimage--and one day later than the Sunnis because the moon did not appear in Iran until it showed in Saudi Arabia.

He described Kashani as a fearless, stubborn but intelligent man with an iron will, very much like Khomeini; but the latter, he adds, has ruthlessness and cruelty as additional characteristics.

Pourvali assures his readers that the journal's columns are open to all contributors, no matter whether their opinions conflict with those of the publisher and editor, provided they are signed by their authors. Others who do not agree with them will get the right to reply.

CSO: 4600/148

## BRIEFS

RAJAVI DENIAL ON TEHRAN BOMBING—Massoud Rajavi, exiled leader of the Mohahedin-e-Khalq organisations, has strongly denied charges that the Mojahedin was behind a bomb explosion that killed four people and injured many more in the big Forushgahe Bozorg supermarket in downtown Tehran last week. On the contrary, he said, there was no doubt the Iranian authorities were responsible for the blast, in a way similar to the burning down of the Rex cinema in Abadan three years ago by what he alleged were the Shah's SAVAK agents. Several hundred people, mostly young, died in that incident, which badly damaged the Shah's regime; opinion in Iran now, however, inclines to the idea that it was in fact the mullahs' agents who set fire to the cinema so they could blame the then government. Rajavi said this week that Khomeini was pursuing the same kind of action today to provide a pretext for continuing to hunt down the Mojahedin and discredit them in the eyes of the public. "This kind of action would certainly be against our own interest," Rajavi is quoted as telling a reporter. "Why should we bomb public places and be damned by everyone? This is certainly the work of the authorities to provide reasons for the execution of more Mojahedin and other opponents and also to continue with other arrests and oppression." [Text] [London IRAN PRESS SERVICE in English 3 Dec 81 p 8]

CSO: 4600/148

UNION CHIEF DISCUSSES ROLE OF LAND TRANSPORTATION IN WAR EFFORT

Baghdad AL-THAWRAH in Arabic 25 Oct '81 p 5

[Report on Interview with Mr Nuri Latif Sulayman, President of Public Union for Land Transportation by Sa'ib 'Abd-al-Muhsin; date and place of interview not specified: "The President of the Public Union of Land Transportation Workers Discusses Major Contributions of Our Workers in the Battle for Honor and Dignity"]

[Text] Students, workers, farmers, civil servants and soldiers are in their positions fighting the battle of honor and dignity, the battle of Saddam's Qadisiyah. They are warding off the evil from our peaceful country which was forced to enter into a war that was imposed on it. But our country was up to [the challenge] and fought to defend its honor, its security and its stability against the enemies of God, Arabism and Islam.

Land transportation workers played a part and made a contribution to the battle. [The correspondent of] the "Organizations" section [in this newspaper] interviewed Mr Nuri Latif Sulayman, the president of the Public Union for Land Transportation and asked him to discuss the union's role in supporting the sacred battle and the role played by land transportation workers in backing the battle and giving it all the requirements for support and for a lasting victory. Mr Sulayman began by saying, "Our union has always been foremost in performing all the functions that are entrusted to it and doing everything that it is asked to do at this significant stage in the history of our glorious Arab nation.

"On the local scene the union convened several expanded meetings for all the branch unions in the country's governorates. The meetings were attended by the president of the General Federation of Labor Unions. At these meetings the functions for which the workers of the Public Union for Land Transportation and the union committees were responsible were discussed so that all energies can be mobilized and maximum efforts can be spent to increase production and preserve the machinery to support the glorious battle of Saddam's Qadisiyah.

"The union also held several debates to explain the dimensions of the battle that was imposed on our struggling country by the racist Persians.

We discussed the repeated attacks that were waged by the ignorant [enemy] against our borders, our villages and our guard posts before 4 September of last year, and we discussed the attacks that were launched since that date. This forced us to enter the battle to defend our land and our water, and we scored admirable victories against the Persians in their own country. Other debates were also held for all the sectors that work in land transportation so that the difficulties that may be encountered in the transportation process may be overcome and useful solutions to them found. The union also held another meeting in which the special tariff for transporting goods was discussed. Officials from the Central Agency for Prices and Traffic and a number of people concerned with those matters took part in that discussion."

Mr Nuri Latif Sulayman added that the union had published several bulletins and posters. One of these bulletins, AL-TARIQ, is written by workers, and about 3,000 copies of it are issued. The bulletin has assumed the character of a periodic newsletter, and it has sections designated to the battle of Saddam's Qadisiyah, to the preservation of the spirit of victory and to other activities that have to do with national development and the distinguished role of land transportation workers in all social, political and cultural areas. The union [organized exhibitions of] oil paintings that depict the heroic battles of our undaunted army. It dedicated an exhibition of political posters by the General Federation of Labor Unions in the al-Zawra' Gardens. That was part of the first festival. The union issued a statement commemorating the 13th anniversary of the glorious revolution of 17-30 July and the anniversary of the birth of the leading party, The Ba'th Arab Socialist party.

In that statement the union also urged workers to increase production so as to strengthen the battle. The union took part in the awareness campaign that was launched among the ranks of workers to eradicate illiteracy, [promote] mandatory education and explain the dimensions of the campaign. The union offered gifts of appreciation to those who excelled.

The union also organizes continuing visits to the front, and it offers gifts of appreciation to our brave fighters who stand like towering mountains in the face of the greedy, aggressive Persians.

On the Arab and international scene the union extended an invitation to the transportation union in fraternal Kuwait [inviting a delegation from the Kuwaiti union] to visit the country and find out about the industrial and construction boom that our country is experiencing as it fights the most honorable battle on the eastern gateway to the Arab homeland.

The union also took part in numerous conferences and meetings that were held for the Federation of World and Arab Transportation. During those meetings union delegations explained the real implications of the repeated attacks that were being carried out against our fighting country by the racist Persians.



## OBJECTIVES OF 5-YEAR PLAN DISCUSSED

Paris AN-NAHAR ARAB REPORT & MEMO in English No 47, 23 Nov 81 pp 8-12

## [Text]

Jordan's Council of Ministers recently approved a new Five-Year Development Plan for the period 1981-85, which was drawn up by the country's National Planning Council (*An-Nahar Arab Report & MEMO*, October 12). The plan's contents are now available in detail. The article below summarises the objectives and general framework of the 635-page document as they compare with the aims and achievements of the previous plan, which covered the period 1976-80. In subsequent issues, this newsletter will focus on the plan's approach to three specific aspects of the Jordanian economy: agriculture, industry and social development.

In a section dealing with the aims and strategy of Jordanian development, the new planning document outlines some of the constraints and special conditions which have affected the country's development efforts in the past. Some of these are political, such as the influx of Palestinian refugees in successive waves since 1948, the loss of the West Bank in 1967, Jordan's position on the front-line of the Arab-Israeli conflict and the evolution of its relations with other countries in the region. Others are physical, such as the relative paucity of natural resources.

These factors have had some negative effects, but Jordan has frequently managed to turn ill winds to its own economic advantage. One thinks of the large amounts of foreign aid that Jordan has been able to attract, first from the US and later from Arab countries. Then there is the relationship developed with Iraq since the outbreak of the Gulf war which has benefited Jordan in terms of both trade and aid. There are also the joint ventures with Syria which seem to be able to survive the stormy political relations between the two countries. Finally, there has been the opportunity provided to Jordanians to sell their skills in the lucrative labour markets of the oil-rich Gulf states.

The five-year plan recognises the importance to the economy, in particular to the balance of payments, of

the remittances flowing back from the approximately 300,000 Jordanians working abroad. However, it also points out that Jordan suffers from the loss of trained personnel needed for the domestic development effort. Efforts to induce workers to remain at home have forced up labour costs in Jordan. Furthermore, the money sent back by expatriate workers is often spent on consumer goods or on building, thus fuelling inflation which the plan reckons to be running at about per cent a year. Inflation, the drain of skilled manpower and the rising cost of energy are three factors emphasised by the plan as having had a particular effect on the Jordanian economy during the 1970s.

In spite of these general constraints and specific problems, the Jordanian economy achieved an annual growth rate in real terms of 7 per cent in GNP over the period 1973-75 and of 11 per cent over the period 1976-80, the plan says. It adds that although the government's financial resources increased six-fold during the 1970s, external aid still accounted for about 35 per cent of the state budget.

The plan points out that there has been a very high rate of capital formation during the past five years, representing about 48 per cent of GDP and 33 per cent of GNP. It blames the high level of government expenditure and the effects of a consumer boom for the country's apparent inability to reduce the chronic deficit in the balance of trade. During the period from 1976-80, the deficit is estimated at about 75 per cent of GDP or 54 per cent of GNP.

The overall development strategy outlined by the new plan is broadly similar to that of the preceding plan. Objectives include raising GNP, increasing the contribution of domestic revenues to public expenditure and reducing the deficit in the balance of trade. The plan rests on several basic assumptions. First, Jordan will continue its policy of economic freedom and opportunity for private enterprise coupled with an active

governmental role in carrying out large industrial projects and providing incentives and a suitable climate for private investment. Second, the private sector will respond to the government's development efforts by mobilising savings and directing them towards investment development projects. Third, Arab countries, development funds and financial institutions will continue to buttress Jordan's development programme by giving aid to support the budget, helping finance major projects and participating in joint ventures.

The major thrust of the 1976-80 plan was towards heavy investment in industrial and mining projects, notably the production of chemical fertilisers, an oil refinery, a potash extraction complex, phosphates production and a cement plant. Increased industrial production was to play a vital role in achieving the underlying aim of modifying the structure of the Jordanian economy in favour of the commodity-producing sector. The authors of the new plan note that this structural modification has not yet been fully realised and that the economy is still dependent on the services sector.

While the efforts to build up Jordan's industrial base and infrastructure will continue during the next five years, a new emphasis on the satisfaction of basic human needs and the need to spread the benefits of development equitably may be detected in the new plan. The authors draw attention to the fact that Jordan's population is now growing at an estimated 3.8 per cent a year, a high rate by any standards. Its increasingly pyramid-like structure has meant that no more than 21 per cent of Jordan's citizens are actively employed in the work-force. Of particular concern to planners is the relative lack of opportunity for women to join the work-force. Since girls constitute 41 per cent of all secondary students, they clearly represent a considerable pool of untapped labour.

The new plan recommends more balanced regional development and the provision of services and employment opportunities to people in the areas where they live in order to try and stem the flow of people from rural areas to the cities.

Jordan's planners envisage investments amounting to JD 3.3 billion (JD1 = \$2.989 at the current exchange rate) over the period 1981-85. This compares with a total of JD 1.22 billion invested over the previous five year period. The last plan called for investments of JD 765 million, well below the figure achieved. However, the JD 1.22 billion invested is equivalent to about JD 843.7 million at 1975 prices. Nonetheless, the new target represents a substantial increase in planned investment over the next five years.

The authors of the plan hope that this level of investment will result in an average annual growth rate in Jordan's GDP of 11 per cent. The country's

GDP stood at JD 705 million in 1980 and would thus rise to JD 1.193 billion by 1985. The plan considers that the 1976-80 plan's targets for growth in production came close to being attained. GDP was slated to increase at an annual rate of 11.9 per cent. In real terms, the country actually achieved a growth rate of 8.5 per cent. GNP grew at a rate of 11 per cent a year in real terms, compared to a targeted growth rate of 11.5 per cent.

As noted above, one aim of the plan is to continue the effort to effect a structural change in the Jordanian economy whereby the commodity-producing sector would contribute a greater proportion of GDP compared to the services sector. The 1976-80 plan aimed to raise the commodity-producing sector's share of GDP from 35 per cent in 1976 to 44 per cent in 1980. The productive sector in fact accounted for only 38.8 per cent of GDP in 1980 and this modest rise was one of the disappointments of the last plan. The new plan lays down a target of 46 per cent by 1985, representing a 14.9 per cent annual increase in output from this sector of the economy.

In terms of current prices, capital expenditure in the commodity-producing sector exceeded all investment targets. However, if constant prices are used, the sector received only 80.6 per cent of the investment envisaged by the 1976-80 plan, the new plan admits. It also reveals that no branch of the sector benefited from the expected level of investment in these terms. Conversely, the plan says, expenditure on infrastructure (using constant prices) surpassed the forecast level by 26.2 per cent and that on social services by 58 per cent. Most of this expenditure went on transport, electricity and housing. The fact that investment considered in constant prices was skewed at the expense of the commodity-producing sector, goes a long way towards explaining the continued dominance of the services sector in the Jordanian economy.

Industry and mining are expected to contribute the bulk of the growth in the productive sector. Almost 30 per cent of investment allocated under the 1976-80 plan was channelled into this sector, which was expected to grow at about 26 per cent a year. A growth rate of 24 per cent was actually achieved, but mining and industry provided only 21.8 per cent of GDP in 1980 compared to a targeted share of 28.3 per cent.

The new plan calls for the industrial sector to contribute 29.3 per cent of GDP by 1985, although it is to receive a smaller proportion of total investment. This is planned to be JD 758.8 million, or just under 23 per cent. According to the plan, the mining and industrial sector made substantial progress in establishing several major industrial projects funded under the previous plan. However, several of these have yet to start production. The plan notes that the main reason the sector failed to

Projected evolution of GDP and GNP from 1981-85 (in millions of JD)

Sector	1981	1982	1983	1984	1985	Total Average ( % )	Average annual growth ( % )
Agriculture	65	69	75	80	86	43.6	7.5
Mining and industry	181	214	252	297	350	127.3	17.8
Water and electricity	10	11	13	16	19	137.5	18.9
Construction	59	66	74	84	94	80.8	12.6
Trade	147	163	181	201	222	60.9	10.0
Transport and communications	100	111	125	140	153	69.2	11.1
Public administration and defence	126	131	135	140	145	18.9	3.5
Other services	87	95	104	113	123	53.8	9.0
GDP at factor cost	770	860	959	1,071	1,194	69.2	11.0
Indirect taxation	120	134	148	165	184	68.5	11.0
GDP at market prices	895	994	1,107	1,236	1,377	69.2	11.1
Net factor income from abroad	217	238	262	288	318	61.4	10.0
GNP at market prices	1,112	1,232	1,369	1,524	1,695	67.7	10.9

Source: Jordan's Economic and Social Development Plan 1981-85

meet its production targets was the mediocre performance of the phosphates industry.

Investment allotted to the sector under the 1981-85 plan will be used to complete existing projects, to build chemical industries fed by raw potash and phosphates, to expand the cement industry and to encourage smaller intermediate industries, especially those oriented towards exports.

It is hoped that revenues from mining and industry will climb from JD 154 million in 1980 to JD 350 million by 1985 (at 1980 prices), representing an overall increase of 127.3 per cent, or 18 per cent annually. This compares with a growth rate of 161 per cent envisaged by the 1976-80 plan.

Agriculture is to receive JD 234.5 million over the next five years, a slightly higher share of investment than the previous allocation. Allocations for agriculture represent 6.51 per cent of the total, compared to 5.24 per cent during the previous planning period. But its contribution to GDP is expected to decline further from 8.5 per cent in 1980 to 7.2 per cent in 1985. If things go according to plan, revenues are to rise by 43.6 per cent over the 1980 figure of JD 60 million to JD 86 million by 1985, representing an average annual growth rate of 7.5 per cent.

Over the past five years, agriculture recorded a growth rate of 5.7 per cent a year at constant prices compared to a targeted rate of 7 per cent. The plan recalls that this advance was made against a background of four years of semi-drought, which ended in 1980. While

the plan admits that certain basic projects were not executed, it stresses that Jordanian farmers expanded the area of irrigated land and introduced a number of modern agricultural techniques which helped to limit the effects of unfavourable climatic conditions.

Most of the investments for agriculture will be directed towards increasing the area of irrigated land in the Jordan Valley and the southern Ghors, developing agricultural techniques in both irrigated and rainfed areas and expanding the development of animal resources. The plan expresses concern over delays in the construction of the Maqarin Dam across the Yarmouk River to provide water for irrigation and drinking in addition to electrical power. The project is seen as vital in the effort to secure national food supplies and boost agricultural revenues. The plan fears that the benefits of the scheme may not now be felt until after 1985.

A much larger slice of investment will be devoted to water and irrigation, which has been allocated 15.81 per cent of the total, compared to the 12.73 per cent it received under the last plan. The JD 521.7 million allocation is to be spent on developing water sources for agriculture, industry and domestic consumption. The Maqarin Dam project will absorb much of the investment in this sector.

Energy and electricity will be given JD 163.4 million, representing 4.95 per cent of total investment, rather less than the 5.6 per cent the sector received under the previous plan. Taken together, revenues from water and electricity are projected to swell from JD 8 million

in 1980 to JD 19 million in 1985, an increase of 137.5 per cent, or 18.9 per cent a year. The two sectors are expected to provide 1.6 per cent of GDP by 1985 as against their actual share of 1.1 per cent in 1980, which was exactly half the proportion projected by the 1976-80 plan.

The new plan calls for a reduction in the contribution of the services sector to GDP from 61.2 per cent in 1980 to 54 per cent in 1985. It envisages an overall growth in the sector's revenues from JD 431 million in 1981 to JD 644 million in 1985, a rise of 49.4 per cent or 8.4 per cent annually. No branch of the services sector is expected to increase its share of GDP, but transport and communications will maintain their contribution of 12.9 per cent each. The share of trade will decline from 19.6 to 18.6 per cent, while that of public administration and defence is to fall from 17.3 to 12.2 per cent. Transport gets the largest allocation of JD 545.5 million,

JD 226.3 million will be spent on education which thus gets 6.86 per cent of total investment.

Of the investment total of JD 3.3 billion, 61 per cent has been allocated to the central government and public corporations and 39 per cent to the private sector and mixed-ownership companies. Under the 1976-80 plan, investment was divided more evenly, with the public sector receiving 50.1 per cent and the private sector 49.9 per cent. To finance this expenditure, the government will rely on a combination of domestic revenues, foreign aid and private investment. Two central goals stressed by the plan are to reduce the chronic deficit in the balance of trade and to increase the contribution of domestic revenues towards public expenditure.

The plan aims to raise domestic revenues to the point where they will cover all the government's current expenditure and even provide a surplus to help finance capital investment. Thus the share of domestic revenues in the government's current expenditure is projected to rise from 68.9 per cent in 1980 to 100.4 per cent in 1985. Given the expected expansion of government expenditure, this will involve an annual increase of at least 20 per cent in domestic revenues. Over the past six years, domestic revenues climbed from JD 82.6 million in 1975 to JD 224.5 million in 1980, an annual rise of 22.1 per cent. Over the period as a whole they constituted 44.1 per cent of total government revenues, which rose from JD 212 million in 1975 to JD 500 million in 1980, an annual increase of 22.1 per cent.

To complement the drive to raise domestic revenues, the plan calls for the growth of public expenditure to be restrained to no more than 12.5 per cent a year from 1981-83 and no more than 10 per cent a year from 1984-85. This should be compared with an annual rise in public expenditure of 20.4 per cent during the last five years. One area in which the plan hopes to cut public expenditure is that of subsidies on fuel products and basic foodstuffs, which last year soaked up 14 per cent of current public spending. Subsidies are to be phased out gradually over the 1981-85 period, although the plan suggests the need for flexibility in this regard.

Public capital expenditure is projected to rise from 38 per cent of total expenditure in 1980 to an average of 49 per cent a year from 1981-85. The government will try to mobilise surplus domestic liquidity to help finance development spending by issuing development bonds worth JD 150 million. The Treasury will continue making loans within legally permitted limits. The plan calls on the municipalities and public utilities to become more self-reliant financially. The municipalities will be asked to increase their revenues by 25 per cent a year and to restrain their expenditure parallel to the central government.

Jordan's planners are determined to bring down the

#### General distribution of allocations (in millions of JD)

Sector	Allocation	% of total
Agriculture and cooperatives	234.5	7.11
Water and irrigation	521.7	15.81
Mining and industry	758.8	22.99
Energy and electricity	163.4	4.95
Tourism and antiquities	65.7	1.99
Total for commodity-producing and tourism sectors	1,744.1	52.85
Trade and supply	37.0	1.12
Transport	545.5	16.53
Communications	106.8	3.24
Culture and youth	9.8	0.30
Information	7.9	0.24
Education	226.3	6.86
Health	100.7	3.05
Social development	15.2	0.46
Work-force	9.2	0.28
Housing and government buildings	308.1	9.34
Municipalities and rural and environmental affairs	175.6	0.32
Waqf	6.4	0.19
Science and statistics	7.4	0.22
Total for service sectors	1,555.9	47.15
<b>Overall investment total</b>	<b>33000</b>	<b>100</b>

Source: Jordan's Economic and Social Development Plan 1981-85.

representing 16.53 per cent of total investment. Housing comes second with JD 308 million, but this is a relative drop in its share of total allocations from 11.24 per cent under the last plan to 9.34 per cent under the new one.



relative size of the chronic deficit in the balance of trade and services. Although the plan concedes that in absolute terms the deficit is likely to swell from JD 525 million in 1980 to JD 690 million in 1985, it projects a fall from 51.9 per cent of GNP in 1980 to 40.7 per cent in 1985. The previous plan had hoped that the deficit could be eroded in absolute terms from JD 153 million in 1975 to JD 131 million in 1980.

Hopes of trimming the deficit rest on the plan's projection of an annual 17.8 per cent expansion in exports of goods and services. This expansion is to arise thanks to increased national exports as a result of the structural modification of the economy in favour of the commodity-producing sector, increased revenues from tourism and remittances from expatriate workers. Over the last six years, Jordan's exports have risen in value from JD 185.8 million in 1975 to JD 635 million in 1980. Exports of commodities grew from JD 48.9 million in 1975 to JD 160 million in 1980, an annual increase of 26.8 per cent compared with a targeted rise of 24.2 per cent. Moreover, the plan refers to a "radical shift" in the nature of the commodities exported in favour of industrial goods, which constituted 33.7 per cent of the total in 1980 against 24.3 per cent in 1975.

Jordan's creditable export performance has been counter-balanced, however, by a surge in imports, which rose from JD 304.2 million in 1975 to JD 963 million in 1980. Capital and intermediate goods and raw mater-

ials constituted 60 per cent of total imports in 1975, rising to 68 per cent in 1980. The proportion of consumer goods imported shrank from 49 per cent in 1975 to 32 per cent in 1980.

The new plan envisages an annual rise in imports of 13.5 per cent over the coming five years. Controlling the growth of imports will be essential if the size of the balance of trade deficit is to be held in check. Until now, the deficit has been covered by external aid in support of the budget, foreign loans and remittances. The 1981-85 plan rests on the assumption that these sources of funds will continue to be available.

The plan projects that foreign loans will total JD 1.162 billion and that the Arab countries will continue to support the budget to the tune of up to JD 244 million a year. Foreign loans will thus provide about 52 per cent of the government's total resources during the next five years.

The apparent ease with which Jordan is able to accommodate a substantial deficit in its trade balance is reflected in the balance of payments situation. The surplus realised over the years 1976-80 pushed the country's foreign currency reserves up from JD 175 million in 1975 to JD 623 million in 1980. The net balance of current operations recorded a slight deficit, but a much smaller one than had been forecast by the 1976-80 plan. This was due, according to the new plan, to higher levels of revenues from services and external aid than had been expected.



## CENTRAL BANK COMPETES WITH EUROMARKETS

London 8 DAYS in English No 48, 5 Dec 81 p 33

[Text] A BURST OF ISSUES of domestic bonds and syndicated loans has combined with radical policy decisions by the Central Bank of Jordan to establish a system of medium-term financing in the country that offers borrowers considerably cheaper funds than do the euromarkets. It also sets a challenge to other developing countries to break the same ground.

In three months, no fewer than eight separate syndicated loans, bonds or forward deals have been completed or initiated in the nascent Jordanian capital market. The deals are worth a total JD58m (\$180m). This is slightly more than the value of the 14 bond issues and loan syndications that had previously been consummated in Amman since such instruments were introduced into the market, less than three years ago.

The main impetus to the development of a Jordanian capital market for medium- and long-term loans, of between five and ten years, has been the near 10 percentage point gap between interest rates in Jordan and abroad. Dinar denominated loans have been put together here for between 9 and 11 per cent over the past three years, while bonds carry an interest rate of 8.5 to 9 per cent. These relatively low rates have prompted Jordanian borrowers to put together local dinar syndications to refinance outstanding commercial Eurocredits. The largest was a JD12m (\$36m) loan for Alia, the state-owned airline, which was managed by the Arab Bank and had 12 banks in Jordan providing the funds.

This turned out to be a trendsetting loan, and a harbinger of others to come, because for the first time the Central Bank of Jordan agreed to re-discount 50 per cent of the participations in this loan to any of the banks in the syndicate. The present re-

discount rate of the Central Bank is 6.5 per cent.

Commercial bankers involved in the Alia and other syndications have called the re-discounting decision by the Central Bank 'a shift in the traditional philosophy of central banking, and one that provides a comforting measure of safety for the commercial bank.' The move, some say, will significantly increase the readiness of Jordanian banks to lend at medium term.

Dr Mohammed Said Nabulsi, governor of the Central Bank of Jordan, says that the re-discounting decision was made because of the favourable fiscal climate in Jordan — only a slight budget deficit is expected this year. He notes that similar commitments in the future would probably be restricted in general to government-guaranteed loans, with exceptions being made only for very strong private sector companies with a high credit rating. He also expects few banks to make use of the re-discounting facility, given the healthy liquidity of the market. The recent brisk growth in the size of the inter-bank market in Amman, which stood at JD86m (\$260m) at the end of August, lends support to his argument.

Abdul Majid Shoman, chairman and general manager of the Arab Bank, expects to see a broader base of financial institutions participating in local syndications, in anticipation of local interest rates rising and dollar rates abroad falling. Merchant banking activity makes up ten per cent of the Arab Bank's total income, and is rising.

The new regulations, according to Dr Nabulsi, are based on a formula that allows commercial and investment banks to provide a financing package including typically a syndicated loan and a bond issue.

A commercial bank is seen as leading the

entire package and the syndication, while an investment bank leads the bond issue. This arrangement may also promote the development of a secondary market for bonds, to run parallel to the Amman Stock Exchange's booming activity in company shares.

This kind of loan-bond package is being arranged for Alia's refinancing needs and also for the Jordan Cement Factories Company JD12m-15m (\$36m-\$45m) loan to finance its sixth kiln expansion project. A similar package to meet the refinancing needs of the country's sole petroleum refinery will probably be discussed in the market soon, given the \$50m or so required for repayment of the refinery's outstanding eurocredits. Shoman suggests that the maximum size loan for the Jordanian market is JD10-15m (\$30m-\$45m).

The net result of the events of the past several months has been virtually to eliminate the need for Jordanian industries to look abroad for their capital. Not only does the lower interest rate in Amman in itself offer savings, but the dinar-denominated loans also preclude a foreign exchange risk. The Central Bank's willingness to re-discount 50 per cent of a commercial bank's share of syndicated loans provides the banks with a safety valve that they have lacked in the past, and one that they need badly to increase their medium-term lending in view of the small capitalisation of most banks operating in Jordan. Other countries are watching closely.

CSO: 4400/85

## IMPLICATIONS OF AMIR'S TOUR IN SOCIALIST COUNTRIES EXAMINED

London AL-DUSTUR in Arabic No 202, 5 Oct 81 p 28

[Article: "Before Convocation of National Assembly Second Session, Kuwait Underlines Its Role as Mediator"]

[Text] Kuwait--AL-DUSTUR--Return of Spirit: The political activity witnessed by Kuwait on the domestic and foreign levels has been followed and commented upon by observers in the Kuwaiti capital who have asserted that this activity was crowned with the recent tour made by the Amir of Kuwait to a number of the socialist bloc countries and by the amir's tidying up of the loose ends of domestic political matters immediately upon his return from this tour.

Observers believe that the most important aspect of the Amir of Kuwait's tour and of his visit to four socialist countries does not so much concern Kuwait as it concerns the member states of the Gulf Cooperation Council.

The Amir of Kuwait expressed this opinion when he made statements to the effect that rumors and doubts are spreading in the Eastern camp countries regarding Kuwait's neutral role in the wake of Kuwait's accession to the Gulf Cooperation Council. This required a political effort to eliminate these doubts in the countries which thought that the Council was established against them, especially since most of the Gulf states have no diplomatic relations with the socialist countries. Consequently, any alliance among the Gulf states is viewed as an alliance against the socialist countries.

Official Kuwaiti sources also assert that Kuwait diplomacy will endeavor during the Gulf Cooperation Council summit, which will be held next November, to persuade the council's member states of the advantage of establishing relations of cooperation with the socialist countries on the basis of Kuwait's experience in this regard.

In addition to foreign policy and to the role which Kuwait will perform in bolstering the position of the Gulf Cooperation Council, political circles believe that Kuwait has exerted considerable efforts to lessen the tension which developed between Aden and the Sultanate of Oman in the wake of the conclusion of a tripartite treaty between PDRY, the Libyan Jamahiriya and Ethiopia.

It is well known that Kuwait, represented by Shaykh Sabah al-Ahmad al-Sabah, the deputy prime minister and minister of foreign affairs, had previously exerted

joint efforts with the UAE to lessen the tension arising in the relations between the PDRY and the Sultanate of Oman because of border disputes.

A few days ago, 'Abdallah Bisharah, the Gulf Cooperation Council secretary general, met with 'Abd al-'Aziz Husayn, the Kuwaiti minister of state for cabinet affairs and familiarized him with the mediation effort that he had conducted between the PDRY and Oman. Bisharah said that he realized that in the wake of the conclusion of the treaty between the PDRY, Ethiopia and Libya, questions had arisen which had to be answered and any misunderstanding or worry resulting from the treaty had to be dispelled. This could not have been done without absolute frankness and direct contacts. This what has actually been done.

On the domestic level, at a time when preparations have been started for inauguration of the second session of the Kuwaiti National Assembly, Kuwaiti circles have welcomed a number of laws and regulations which will go into effect when they are approved in the near future. These laws and measures seek to improve the general conditions and to make life easier for the majority of Kuwaitis.

Some of these laws are connected with housing and citizenship.

The Amir of Kuwait has recently said that he cannot imagine that a citizen has to wait 7 years to get a house. He has announced that a committee of Kuwait University professors has completed a new housing study and that the Council of Ministers will familiarize itself with this study and will make the proper decision in this regard.

As for the citizenship issue, the amir has announced that the state is currently examining nearly 60,000 applications for citizenship.

This is in addition to other issues, such as the problem of increased use of manual labor, job violations in the government or government participation sectors and the issue of opening the door for the foundation of Kuwaiti joint-stock companies instead of letting Kuwaiti capital move out of the country.

All these issues and the laws and regulations concerning them have been the subject of instructions issued by the Amir of Kuwait and are being studied by the Council of Ministers. These issues may be included in the agenda of the next session of the National Assembly.

It is worth noting that parliamentary activity in Kuwait had continued during the summer vacation and that a number of representatives questioned a number of ministers on various issues, most of them connected with the needs of the various regions for public utilities and services.

The Kuwaiti National Assembly has also participated in numerous conferences, including the conference of the International Parliamentary Union which was held in Cuba and which focused on discussing the political conditions in the area. The Kuwaiti delegation and Arab and allied delegations explained the problems encountered by the just Arab cause. The Kuwaiti delegation also explained the misconception concerning the role of the Arab oil countries in raising oil prices.

It is well known that inauguration of the second session of the fifth legislative season will take place on 20 October. The first session last year marked the date of the rejuvenation of democratic life after a suspension of more than 4 years.

8494

CSO: 4404/76

# NEW PARLIAMENTARY SESSION UGED TO BOLSTER DEMOCRATIC LIBERTIES

Kuwait AL-TALI'AH in Arabic No 714, 21 Oct 81 pp 11-12

[Article: "National Assembly: New Session and Constant Tasks"]

[Text] The National Assembly has resumed its legislative march by concluding its second session yesterday, Tuesday, after its long annual vacation. While we welcome the assembly's new session, we must pause slightly to consider the previous session, not to evaluate and criticize it, but to refer to its significance in Kuwait's democratic life generally.

There is no doubt that the justification cited by the honorable members of the National Assembly and referred to by the press and by observers, namely that of the brevity of the first parliamentary session, led to limited accomplishment by the honorable Assembly members of the huge tasks that had accumulated during the 4 years in which the country's parliamentary life was suspended. Though there is a place for this justification in a realistic interpretation of the course of events of the parliamentary life of the previous session, what must be focused on at this moment, in which we are at the threshold of the new session, is the importance of democratic liberties and the importance of the availability of the means and instruments of these liberties, not only for the citizens but also for the comprehensive development that we all desire for our country.

From this positive premise in evaluating the previous session--a premise which underlines the need to entrench and strengthen the democratic course and to develop democratic institutions--we appeal to the honorable members of the National Assembly to shoulder their national and pan-Arab responsibilities in the current parliamentary session.

This session will continue until the sixth month of next year, meaning that the honorable representatives have ample time to examine the issues, laws, resolutions and legislation concerning the country's and the citizen's life. This means that time cannot at all be a justification this time for any failure or negligence at the end of the current legislative session, especially if such failure undermines the most sacred goals insofar as the National Assembly members and all the citizens are concerned, namely the democratic liberties of which the parliament constitutes no more than one form.



Consequently, it is your national responsibility, honorable representatives, to respond to the deepest national aspirations of the citizens to entrench the democratic process and to eliminate whatever may shackle the democratic liberties and the exercise of these liberties, especially the gatherings law and the publications law. You must shoulder the responsibility of firmly confronting any endeavors for the passage of these two laws under any pretexts.

Such a position should emanate from faith in the depth of the bond between the National Assembly on the one hand and the citizens and their desires and aspirations on the other. This is what we hope will be achieved in your new session and what will top the enormous tasks placed on your shoulders. The citizens are waiting impatiently for the accomplishment of these tasks.

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CSO: 4404/76

## TRANSFER OF UNDERSECRETARY OF INTERIOR LAUDED

Kuwait AL-TALI'AH in Arabic No 714, 21 Oct 81 pp 10-11

[Article" "Transfer of Undersecretary of Ministry of Interior: Change That Has Come 15 Years Late"]

[Text] Amidst the throng of events shaking the area in the wake of al-Sadat's assassination, people in Kuwait have been surprised by a small news report of great significance in Sunday's 1300 newscast from Kuwait Radio.

The report contained news that the Council of Ministers has decided to transfer Maj Gen 'Abd al-Latif al-Thuwayni from his position as undersecretary of the Ministry of Interior to the royal court and to appoint Brig Gen Badr al-Khurafi as undersecretary of the Ministry of Interior. The decision does not say what the former undersecretary of the Ministry of Interior will do in the royal court or what tasks will be entrusted to him. This has been left for the intelligent to conclude and for the soothsayers and insiders to predict.

But why should such a decision have major significance and not be just another ordinary administrative decision like the many decisions made by the Council of Ministers?

The reason is that for a long time the issue of relieving the former undersecretary of the Ministry of Interior has constituted a general demand among numerous popular and official circles. Since the formation of the first National Assembly, i.e. since the early 1960's, criticism has been levelled against the Ministry of Interior as a result of the many shortcomings of those in charge of this agency, led by the former undersecretary. Demands for relieving the former undersecretary have come in succession from all the Kuwaiti National Assemblies, with the exception, of course, of the 1967 assembly. These came so as to provide an opportunity to Kuwaiti youth who have studied in police colleges and academies abroad and who have returned to find the doors closed on them so they could not perform their duties. This is especially critical since the security problems are increasing and intensifying as a result of Kuwait's development, expansion, the change in its pattern of life and increased population and immigration.

But for reasons known only to God and to those who have firm knowledge of the secrets, the undersecretary of the Ministry of Interior remained like a rock, unshaken and unshakable.

All the endeavors of advisers and critics went to waste and their efforts were like those of someone butting a rock.

There were promises to make the change. A few years ago, a sign of change appeared when well-educated youth in the Ministry of Interior, such as al-Khurafi, the late Muhammad al-Hamad, al-Qabandi and others, were entrusted with tasks indicating a change. But this sign vanished quickly.

Then there was the strong criticism levelled at the beginning of this year by the crown prince and the prime minister against the Ministry of Interior. People thought that the logical outcome of such severe criticism would be fundamental changes in the Ministry of Interior, led by the former permanent undersecretary, that would provide the opportunity for new blood qualified with education and experience to deal with the security problems. But this change did not take place.

This is why the report on the transfer of 'Abd al-Latif al-Thuwayni from the Ministry of Interior has been considered an important report. Many have been pleased with this transfer because the former undersecretary has succeeded in gaining the displeasure of many citizens, including workers of the Ministry of Interior.

The former undersecretary stayed in his post much longer than any official should stay. He was enthroned on the chair of the Security Directorate and the undersecretariat of the Ministry of Interior for more than 30 years. His dismissal has come 15 years late. People had almost come to believe that he would never leave this position, regardless of the country's need for change.

It is said that the asset on which the former undersecretary relied was that of pleasing the prominent people in power. It is reported that he knows all the personal secrets of the country's citizens, especially its prominent citizens. He considered this knowledge his impregnable stronghold to his position.

As for the direct cause for his dismissal, the well-informed say that the ambitions of the former undersecretary expedited the matter. The former undersecretary aspired to a higher position and it is said that he wanted to be the minister of interior. He was a candidate for this position during the latest cabinet formation.

The failure to appoint him minister caused him to adopt an uncooperative attitude toward the present minister. What is more, he used to overstep the minister by directly contacting those in higher positions on issues concerning the ministry, especially since he considered himself older and more experienced than the minister. This attitude provoked the minister to the extreme and the decision was taken with the approval of the Council of Ministers.

What makes the report more significant is the appointment of Brig Gen Yusuf al-Khurafi as undersecretary of the Ministry of Interior at a time when rumors have circulated about the possibility of appointing a member of the ruling family to the post. The appointment of Brig Gen al-Khurafi has sent a wave of relief through popular circles and circles of the Ministry of Interior. Brig Gen al-Khurafi is the opposite of the former undersecretary in everything. He is qualified both in education and in experience. He graduated from the police college and has held several positions in the Ministry of Interior. His integrity and uprightness are

attested to and he is one of the few who has not engaged in commerce or in a contracting business in addition to his official position. Moreover, he is an independent personality and those who know him know that he is not a bootlicker, a flatterer or a hypocrite. He is extremely frank and is stern in his support of right.

Many fear that the new undersecretary will be engulfed in the current of bureaucracy and fear for him concerning the dangers of the position. Many in Kuwait have been changed by positions and interests.

All hope that Yusuf al-Khurafi will be stronger than the negative aspects of the position and the bureaucratic current and that he will work with his colleagues to prove that there are sincere people in Kuwait capable of reform if given the opportunity. These people also hope that if al-Khurafi is destined to leave this position, he will leave it with his head high. The people's appreciation and love would be a credit to him, whereas pleasing dignitaries at the expense of the people's interests would be a poor credit that would evaporate quickly.

8494

CSO: 4404/76

## CENTRAL BANK REPORT UNDERScores ECONOMIC GROWTH

Kuwait ARAB TIMES in English 24 Nov 81 p 13

[Text] KUWAIT, Nov 23 (KUNA): "During the fiscal year 1980/1981, monetary developments in Kuwait were characterized by relative stability as demonstrated by some major monetary indicators", according to the annual report of the Central Bank, for the year ending June 30, 1981.

These indicators include the rate of monetary expansion measured by the rate of increase in the domestic liquidity available to the private sector, the report released today added.

This rate maintained the high level realized during the past year reaching 29 per cent following a period of deceleration which continued for three consecutive fiscal years (1976/77-1978/79).

Monetary expansion in the past fiscal years (1979/80-1980/81) reflects the economic boom which the Kuwaiti economy has been witnessing since last year, the report said.

This has been conspicuously ascertained through some economic indicators the most important of which are domestic government expenditure and banking credit which at the same time constitute the two main sources of domestic liquidity.

As regards public expenditure which is the first major factor effecting domestic liquidity changes and the rate of monetary expansion, this expenditure continued to have an expansionary effect on liquidity at a rate close to that reached in the past year, the report added.

#### Effect

Although the monthly follow-up statements of the state budget show that the rate of increase in domestic expenditure during the first eleven months of the fiscal year 1980/81 (14 per cent) is somewhat less than it was during the same period last year (19 per cent), it is however probable that this gap would vanish upon the completion of final statements in the closing accounts for the current fiscal year.

It is noteworthy that figures of government

expenditure in the followup statements do not include government loans and shares which constitute an inseparable part of government expenditure as shown in the closing accounts, particularly with regard to their effect on the levels of domestic liquidity.

It seems to be almost certain that these government loans and shares will realize a substantial increase this year in the light of the increase in the capital of a number of public and joint sector companies and institutions as well as the new company established this year with the government subscribing to its capital with a sum of KD 70 million.

As regards banking credit, which is the second factor affecting the rate of monetary credit, the expansionary effect of this factor on domestic liquidity accelerated this year more than it did during the previous year.

It has been noticed that the rate of increase in the claims of commercial banks on the private sector, mostly credit facilities in the form of advances and discounts, reached 30 per cent the fiscal year 1980/81 compared to 27 per cent during the previous fiscal year.

It was further noticed that credit expansion during this year was mainly directed towards financing the productive domestic economic sectors in the light of the expansion witnessed by these sectors and the ensuing increase in bank financing required for such an expansion the report said.

The statements on the distribution of banking credit among various activities show that accelerated growth of banking credit had been prominently realized in the four main productive economic sectors, namely trade, industry, construction and agriculture and fisheries.

The increase in the credit facilities granted to the trade sector reached 33.3 per cent in 1980/81 against 22.7 per cent in the previous year.

Similar increase in the facilities granted to the industrial sector reached 52.2 per cent against 43.9 per cent, the construction sector



27.5 per cent against 21.2 per cent and the agriculture sector 24.2 per cent against 12.4 per cent.

The third factor affecting the rate of monetary expansion is the private sector's capital transfers abroad, the report said.

### **Stability**

The moderation in the rate of Kuwaiti capital transfer abroad during the fiscal year 1980/81 can be imputed to several factors of which the most important are: the slackening in the rate of import growth.

Another important factor which led to moderate capital transfers abroad was that Kuwaiti investors were maintaining an increasing portion of their funds in the country for local investment which proved viable particularly under the relative stability of international and domestic interest rates and the relative stability in the gap existing between interest rates on the KD and those on foreign currencies including the US dollar.

Other factors which helped in bringing about moderate capital transfers abroad were the continued contraction of foreign borrowing from the domestic market whether through the issue of KD bonds or through obtaining syndicated loans in favour of non-residents, the continued decline in the demand for gold following diminishing speculation on this precious metal since the outset of 1980 and the halt in establishing new Gulf companies.

The decline in the rate of capital transfers abroad resulted in a constant growth of private sector deposits expressed in KD to 27 per cent in 1980/81 compared to 19 per cent in 1979/80 while the rate of growth of deposits expressed in foreign currencies declined from 109 per cent to 40 per cent the report added.

PAPER SCORES SOVIET INTENTIONS IN REGION

Kuwait ARAB TIMES in English 28 Nov 81 p 6

[Editorial: "Pro-Russian Arabs are Mistaken"]

[Text]

THE statement, "The Arabs have agreed not to agree" accurately sums up the present situation.

Frankly speaking, the Fez summit was a failure. King Hassan II of Morocco satisfied himself by criticising some of the Arab delegations. He said they were at Foreign Ministers' level, and not at Heads of State level. Any future summits at the same level will certainly fail, because summits should be for heads of state.

The Fez Summit failed because the "Arabs agreed not to agree," and because the Middle East is an area of wasted opportunities.

We ask the same question King Hassan II asked PLO leader Yasser Arafat: "Did Arafat talk with the Russians about the 1948 territories, and what was their reply." We ask the same question which was not answered by Yasser Arafat.

We ask the same question to emphasise the fact that pro-Russian Arabs are mistaken if they believe that Russia will regain Palestine for them. What the Russians want is the same thing as the Americans. They both want to promote their interests in the area. Whether it is through Egypt or Israel or Yasser Arafat is not important. What the Russians are concerned about is their existing interests, influence, domination and a market in the region.

Now Saudi Arabia has withdrawn its proposal. It was a simple one and could have been developed into an Arab ideology. This single ideology could have been offered to the international political forum instead of offering more than 20 views. The Arabs have made the world realise that Djibouti has a different view from Somalia, which holds a different view from Libya. Believing that victory is only in prayers and songs. Libya wants to fight the US. In one of the chapters in the Green Book, Libya wants to fight Russia, as if victory can be obtained through the X-65 tank or F-16 aircraft.

This contradiction should be ended through the Arab

Gulf and Peninsula countries. Otherwise these states will be contributing directly to the disturbances created by some Arab regimes. These regimes are distorting Arab demands and proposing weak formulas for Arab issues before the world.

Saudi Arabia and other Gulf countries now enjoy a reasonable influence in the world. But this might not continue in the future or might be subject to many changes. The current American Administration is the strongest ally of Israel, but we can negotiate with the present Administration to ensure a minimum, fair level. This Administration may change in the future, to the advantage of Israel which knows what it wants and has worked for its objectives over many years.

Thirty years have passed and the Arabs have not succeeded in deciding how to achieve their goals. The present Arab formula is similar to that of the Comoro Islands which believe they can defeat the Americans or Russians if they want.

The Gulf and Peninsula countries should take a strong, strict stand to stop the disturbances in Arab issues at the international level. There should be no more delay. Otherwise we will bite our fingers in future in regret.

CSO: 4400/83

## ASSEMBLY CONSIDERS NATIONALITY LEGISLATION

Kuwait ARAB TIMES in English 22 Nov 81 p 1

[Text]

KUWAIT, Nov 21: "In 1980 there were 215,000 employed persons, but only 6,000 were Kuwaitis" National Assembly Speaker Muhammed Yousuf Al Adasani told deputies during yesterday's six-hour session.

The Speaker stepped down from his chair for the first time to sit with other deputies to discuss Law Decree No. 100 for 1980 on amendment of some articles of the Kuwait Nationality Law.

Al Adasani also said that 1980 statistics revealed there were 19,635 non-Kuwaiti businessmen and only 7,113 Kuwaiti ones.

He added "Let us take a figure of 10,000 expatriates as an example. Out of these 4,000 will be working and the remainder will be family members". He said that each 10,000 expatriates would consume 4,723 tons of food items subsidised by the government. They would use 41 million kilowatts of electricity and 603,000 gallons of water. They would require the services of 141 persons for education, 125 for medical attention, 135 security men, 167 home services and cleaning people, and 112 persons for repair work.

**No plan**

Al Adasani said that there were 23,000 inhabitants in 1961. There was a 9.5 per cent increase between 1960-65, 9.6 per cent between 1965-1970, 6.1 per cent between 1970-75, and 6.3 per cent between 1975-81.

During the 20-year period the

population had increased by about 100,000.

"We had not planned for such growth" Al Adasani said. He added that this put a strain on ministries which had to increase their services.

The Speaker said that hospital statistics showed that in 1978 there were 104,429 patients. Out of them 67,197 were non-Kuwaitis and 37,232 were Kuwaitis. He expected the ratio of Kuwaitis to drop this year.

Al Adasani said that only about half the number of pupils in the schools were Kuwaitis.

Al Adasani also said that official statistics showed "the inhabitants policy is in danger" and if no clear policy was decided "the future will be one of instability."

He added "The Nationality Law should be based on the number of inhabitants we want in the coming five-year period. We should discuss the aim before the means, and find out if we have enough economic resources for our purpose."

He then asked "Are they to be from the Gulf and Peninsula, or

qualified persons or youths?"

**Others**

Other deputies also commented on the decree. Some said it was unjust towards the Kuwaiti mother and family and to stateless persons. Others criticised the committees entitled to grant citizenship.

A number of deputies called for giving permanent residence to non-Kuwaitis who had served Kuwait for a long time. "This would give such persons some stability for themselves and their families" the deputies said.

No decision was reached. The debate will be continued at the next session, to be held on Tuesday.

The Assembly meeting ended with approval of ten law decrees issued while the parliament was suspended.

The Assembly also approved a draft law for a department at the Lower Court to look into administrative complaints. It unanimously passed the 14th report by the Interior and Defence Committee on draft laws about salaries.

## BRIEFS

LABOR PACT WITH SOUTH KOREA--Kuwait, Nov. 22--Kuwait and South Korea have reached an agreement which will facilitate the arrival of Korean workers, Social Affairs and Labour Undersecretary Issa Yassin said yesterday. He added that he held talks with officials during his visit to Korea. He visited a number of factories. The Korean Medal of State was bestowed on Yassin. This medal is given to persons who contribute to promoting cooperation between the countries. [Text] [Kuwait ARAB TIMES in English 23 Nov 81 p 7]

CSO: 4400/83



## CONSTRUCTION COUNCIL'S PROGRESS REPORT

Paris AN-NAHAR ARAB REPORT & MEMO in English No 48, 30 Nov 81 pp 4-6

[Article by Dr Paul Huygelen]

[Text]

Lebanon's Council for Development and Reconstruction (CDR), set up in January 1977 soon after the first phase of the war here, has just published Council President Muhammad Atallah's report on its activities since then.

From preface to conclusion, the author of the 34-page report feels frustrated by the continued turbulence, by the lack of security in the country that saps the Council's energies and by "the vast task that remains to be done." And that task is defined only in terms of bricks and mortar, whereas minds and souls of a generation are at stake. However this aspect of reconstruction is beyond CDR's terms of reference laid down in Legislative Decree No. 5 of January 31, 1977. In fact, one might argue that it was the resurgence of violence during subsequent phases of turmoil that generated the psychological void that now also needs remedying.

Reference is also made poignantly in the report to financial and technical aid from abroad "in amounts far short of our just requirements." Indeed, Lebanon has little chance to reconstruct except by pulling itself up by its own bootstraps. And, in a country where private enterprise is still paramount, the only quality that is missing is the political will to get organised accordingly.

What Dr Atallah cannot say in his report, but presumably must realise, is that aid, grants, loans from the US or the EEC, or other bilateral economic assistance are being given very clearly by the countries concerned for essentially political reasons, at present in most instances just "to keep a foot in the door."

Lebanon is getting but little economic aid for economic reasons. The process, controversial though it may be, is vitiated from the start. It is a hard blow to take for a country which, ever since its adherence to the United Nations Charter, saw itself in the vanguard of a pluralistic civilisation, therefore counting on generous

pluralistic economic aid.

On at least one occasion, not so long ago, the Governor of the Lebanon's Central Bank made it clear that Lebanon does not need American money (and, if he had been addressing a group from Europe instead of a luncheon gathering hosted by the then US Ambassador, he would have said the same about the paltry sums provided from that quarter). What is required, Dr Michel Khoury underlined, in a political situation is political assistance. And this has been forthcoming in even smaller doses than economic aid. The situation in South Lebanon is self-explanatory in this respect. As a result, the CDR is in a situation even more difficult than the report on its four to five years of operation lays before our eyes.

What every political scientist, who studies both international sides of the Middle Eastern coin, realises is that it is premature to predicate Lebanese security on a solution of the Palestinian problem. The problem for Lebanon (and others) is the containment of Israel within its own flexibly designed boundaries.

That is where the CDR's reconstruction objectives, let alone its development hopes, meet the moment of truth. It is the simmering turmoil in Lebanon's South which is the CDR's true ordeal. The occasional insecurity of crossing between East and West Beirut, which inhibits reconstruction in the capital, is but a symptom of what is undermining the body politic from South to North throughout the country. While the difficulty in coping with this now results partly from neglect over several decades in coming to grips with the development of the South, the CDR's efforts will continue to appear academic until the containment of Lebanon's southern neighbour is achieved and internationally guaranteed. In fact, Dr Atallah is himself very outspoken in his report

when he underlines that the past four years were "anguished years in which the rate of reconstruction was often surpassed by new destruction" and well-laid plans had to be put aside. He adds: "Our progress to date does not give us great satisfaction." One could add that one is not going to reconstruct if one does not foresee the possible enjoyment of that reconstruction.

Twelve out of 25 pages devoted to summarising CDR's progress in reconstruction efforts in the public sector cover hospitals and health facilities. This is a significant indicator of the country's requirements, made more striking by the fact that almost as much money is budgeted for this work as for the extension of the Port of Beirut or road rehabilitation and maintenance in the country. In addition, the variety of the grants' contributors in this medical field is noteworthy: they are the Dutch and American governments, UNDP, UNICEF, the EEC, in addition to some LL 127 million (\$27 million) reserved from the Tunis pledge.

This pledge was made in November 1979 by Arab League members and covers potential contributions of \$2 billion over a five year period, half of the funds to be reserved for South Lebanon: CDR considers it "the cornerstone" in its financing programme but regrets that "some payments are late": the report acknowledges receipt of \$206 million.

In spite of the importance assigned in the report to the "reconstruction" of public sector health care facilities, in several instances one encounters descriptive terminology defining the projects' status as "no studies yet available." It becomes clear from such statements how relevant is the stalemate in CDR's critical assumption to the effect that "the authority of the State will gradually increase throughout the country. This process is necessary for reconstruction, and is in turn aided by reconstruction efforts." Dr Atallah remarks that "the State is gaining authority, but slowly."

The report also reviews steps taken to help the private sector revitalise itself. These include the provision of easy credit to industry, hotels, and private hospitals, for property repair, settling farmers' debts, help for law offices that suffered losses because of the fighting, and many other areas of assistance. Measures regulating relations between pre-war and wartime creditors and debtors encased in various legislative decrees are also listed in the report. The creation of the National Investment Guarantee Corp. in 1977 is covered as a positive step since 1977 towards reconstruction and development in the private sector, as indeed it has proven to be.

The most important contribution to reconstruction in the private sector, though alluded to in the CDR report, cannot be covered there in detail due to the nature itself of the contribution. Remittances from overseas by temporary emigrants which amounted to the equivalent

of about \$2 billion in 1980 are what have kept the country afloat. The similarity between this figure and that of the Tunis pledge is purely coincidental. It is nevertheless thought-provoking.

The expatriate Lebanese's labour, intellectual or manual, constitutes one of the essential "bootstraps" referred to earlier, the other one being the almost proverbial resilience of the young and old who remained on the home front. One cannot avoid but note this character trait even though it ranges from the construction of illicit ports along the coast to obviate or complement the inadequacy of the damaged port of Beirut right down to the makeshift car reconditioning and repair shops run mostly by teen-agers amid the ruins of the capital's Bab Idriss quarter, where few Beirutis dare set foot these days. Resilience there is.

Hence it is not surprising that CDR's report acknowledges the primacy of the private sector as the "principal generator of productive activity." The day when adequate security is maintained voluntarily, private funds will not be lacking for reconstruction instead of for mere repair, for expansion and development instead of for patchwork change.

That is when CDR's services, built up painstakingly since 1977, will be able to bear fruit if serious planning continues in the meantime. The Council has already set up an Operations Information Room (OIR) which will soon start developing procedures for periodic reporting of progress or the lack thereof. It has also begun to build a Management Services Unit (MSU) designed to assist ministries and agencies to develop management systems for the projects they are planning and implementing, and to work out control procedures including financial schedules and deadlines. A Technical Support Group (TSG) is being set up under UN auspices to relate reconstruction projects to long term objectives and to begin development planning. Long term planning is a difficult concept to master in the Middle East: the lack of security in Lebanon inhabits the process even further.

Whether the CDR's new priorities will turn out to be improved waste disposal and sanitation, or road maintenance work, or port extension, matters little at this stage. Dr Atallah's report states unequivocally that "reconstruction priorities are continually shifting with events, so that no firm listing is appropriate at this time." What does matter is to get something visibly worthwhile started, to regenerate public confidence in the CDR's existence. In this connection the report itself is an achievement, as it presents a useful compendium of the Council's plans and attitudes.

The cost of reconstruction was estimated at some LL 14 billion in 1977. In 1979 the International Monetary Fund found CDR's plans would not cause undue pressures on the country's balance of payments. Similarly the World Bank thought the initial reconstruction prog-

ramme ambitious, but feasible. Worldwide and domestic inflation have had an inevitable impact in the meantime on the estimated costs of the projects. It is understood that, early in 1982, the reconstruction programme will be revised and its cost factors recalculated to reflect the new economic realities and the progress made so far.

The private sector's assessment of the country's future opportunities, including those in South Lebanon, should play an influential role in these revisions. The success of the potential issuance of Government reconstruction bonds to cover the early shortfall of funds will then be a foregone conclusion, thanks to the bootstraps simile.

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## BRIEFS

AID TO LEBANON--The Bank of Lebanon announced last week that transfers totalling \$89 million had been received from Saudi Arabia and Qatar, as part of an Arab aid package agreed to at the 1979 Arab Summit in Tunis. Lebanon had previously received \$281 million out of the five-year package of \$2,000 million. According to the schedule of transfers, which calls for \$400 million per year, Lebanon is due to receive another \$430 million by the end of this year. Our sister publication, the daily An-Nahar, expressed optimism that more transfers would be received before the end of 1981, commenting that this would help lower the balance of payments deficit and strengthen the Lebanese Pound (An-Nahar Arab Report & MEMO, November 16). [Text] [Paris AN-NAHAR ARAB REPORT & MEMO in English No 48, 30 Nov 81 p 5]

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## GENERAL ECONOMIC, POLITICAL TRENDS SUMMARIZED

London AFRICA CONFIDENTIAL in English No 24, 25 Nov 81 pp 1-3

## [Text]

Now that the United States Congress has finally approved its foreign aid bill, Sudan is almost assured of getting \$100m of military aid (AC Vol 22 No 22) and \$100m of other assistance, including USAID subsidies. It now only remains for the House of Representatives to give the final go-ahead. From Khartoum, President **Jaffar Nimeiri's** lobbying effort in Washington during the week before the Congress vote, is thus seen to have been a success, and in the face of growing internal problems on three broad fronts.

1) A combination of poor economic results, the need to press through an unpopular IMF-inspired economic programme, and the effects of the Moslem fundamentalist revival in the region has pushed Nimeiri to greater reliance on the army (represented at the top by first vice-president Gen. **Abdel Magid Hamad Khalil**) and the security services (whose chief, Gen. **Omer Mohammed al Tayeb**, was promoted one of the two other vice-presidents in October). The regime has as a consequence found its basis of support increasingly restricted. Few members of either the traditional parties, the Umma, the Ansars, or the Unionists, bother to participate in the "National Reconciliation" exercise. A sparring match going on between two of Nimeiri's bastions of support — the moderate wing of the Moslem Brothers and the Marxist inclined wing of the bureaucracy, particularly the SSU — adds to the fray. Until recently Nimeiri has been able to keep these two groups fairly evenly balanced, and apart. But the death of **Anwar Sadat** and the deterioration of the Sudanese economy have revived both wings to alarming proportions.

The moderate Moslem Brother party, whose most prominent member is attorney-general **Hassan al Turabi**, is under pressure from Islamic extremists and from Ansar politicians, such as **Sadiq el Mahdi** (former prime minister and Ansar leader), who have

been competing for its Moslem constituency. Nimeiri, acting mainly through Gen. Omer, has had to clamp down on both Moslem Brothers and communist sympathisers. Earlier this month he dissolved the National Assembly (calling for elections in December) and dismissed his entire cabinet (a collection of meritocrats who appeared lost for political initiative). Although the US administration is generally satisfied with Nimeiri (and cannot fail to be aware that the \$100m of military sales will bolster the image of the Sudanese army and therefore its support for Nimeiri), there remains a good deal of anxiety about Nimeiri's autocratic approach, an alternative to which, for instance, could be a cabinet led by **Sadiq el Mahdi**. But the latter believes that the present regime is anyhow doomed. The best Nimeiri can now hope for, is more Ansar and Unionist support in the new assembly and in his future cabinet.

2) The autonomous Southern region has experienced its own variations on the Moslem Brotherhood/communist revival theme, which has sprung up as a rejoinder to the way the Islamic issue is used in the North as a legitimate area for manoeuvring by underground political parties. Southerners remember how this type of vote catching damaged southern interests during the civil war. Now, the North is seen as no less disdainful of southern interests. The turning point was the decision in early summer to site Sudan's new oil refinery at Kosti in the North, despite the Regional Assembly's recommendation that it should be in the South at Bentiu, in Bahr el Ghazal, close to Chevron's oil finds. In the political wheeling and dealing over the Kosti decision it appeared that the North was appealing to tribal interests, thus supporting the regionalisation argument advocated by former High Executive Council President, Gen. **Joseph Lagu** (AC Vol 22 No 20). Lagu, it will be



recalled, has suggested the division of the South into three separate regions as part of an overall decentralisation policy, arguing that it would serve better the interests of the different peoples of the South and break the hegemony of the Dinkas, the largest tribe in the region. But others argue that Lagu is still smarting from his ousting from office in 1979 by a Dinka-dominated coalition headed by **Abel Alier**, the prominent former southern leader. They are particularly concerned that Lagu appears to be playing into the hands of Northern politicians, who, playing the Moslem fundamentalist card, would like to see the South divided and weak.

Although public discussion of the regionalisation issue was banned in March, it continued to be an important talking point throughout the summer. At the same time as dissolving the National and Regional People's Assemblies, Nimeiri appointed a 15-man provisional government in the South headed by a hardline Moslem soldier from Wau, Maj. Gen. **Gasmallah Abdalla Rassas** (Rassas means bullets in Arabic) who is head of the military staff college in Khartoum. His caretaker government appears to be weighted in favour of further regionalisation, with strong regionalisation advocates, such as **Darius Bashir** and **Philip Obang Oyway**, in prominent positions. Ostensibly the people of the South have the final say in a referendum (to coincide with Regional Assembly elections) due to be held by April next year. Former regional finance and industry minister, **Bona Malwal**, for a long time minister of culture and information in Khartoum, and his political mentor Abel Alier, are now leading the opposition to regionalisation. But unfortunately the debate is split along traditional lines, with Dinkas and the rump of the *Southern Front* movement in one camp and people from Bahr el Ghazal and Equatoria — many with SANU connections — in the other.

3) Although there has been resistance to the IMF's programme of radical reform (not least by communist sympathisers) finance minister **Badr el Din Suleiman** has pushed it through fairly methodically — with the spur of increased *World Bank* and multi-lateral agency support, American assistance and rescheduling of commercial bank debts if all went well. However, in the summer it began to appear that the results of the programme, begun in 1978, had not been as good as expected. Cotton output was still low, luxury goods were coming into the country at an alarming rate, and agriculture and industry continued to perform badly. As a result, signature of the agreement to reschedule \$425m of debts, expected to be finalised in August, has been held up until perhaps December. The stumbling block appears to have been

Sudan's inability to remove subsidies and further devalue the Sudanese pound. In October the IMF mission arrived in Khartoum and demanded full implementation of its proposals as its price for a new SDR 198m (\$220m) standby credit. Nimeiri had to agree to the removal of subsidies on petrol (\$53m in 1981/2), sugar, wheat and flour (\$97m); a 12½% devaluation of the Sudanese pound (now 90 piastres to the dollar instead of 80); abolition of the dual exchange rate, which allowed certain goods such as pharmaceuticals, wheat-flour, petrol and dried milk to be imported at a cheap favourable rate further cuts in expenditure; and reductions in customs and excise duties and other measures. Nimeiri's cabinet, already tossed to and fro by political controversies, balked at such radical measures. So the President blamed them collectively for Sudan's economic failures and sacked the lot of them on November 9. Clearly such drastic measures have to be explained to allies, particularly ones as interested in Sudan's financial health and future as the US. But the consequences are not clear yet. Already there have been reports of student violence in Khartoum in protest against the 40% rise in fuel prices following removal of subsidies.

Even the White House was a little taken aback by the shrillness of Nimeiri's anti-Libyan and anti-Soviet diatribe at the time of Sadat's death. But as the passage of the Foreign Aid Bill shows, the US still wants him as an ally. In turn, Nimeiri will have to convince the US that he has a viable policy towards his neighbours. Thus the ubiquitous Gen. Omer was in Paris in mid-November coordinating anti-Gadaffi strategy with France and the various strands of the warring Chadian parties, particularly **Hissein Habré's Forces Armées du Nord (FAN)** and President **Goukkouni Waddeye's Frolinat** party. Sudan is also helping to sponsor the anti-Gadaffi *National Front for the Salvation of Libya*, headed by former Libyan auditor-general, **Mohammed el Mahgaryef** who hopes to stage a show trial of the Libyan leader in Khartoum in February. Among the hundreds of arrests made during the last two months in Sudan, was a former southern MP, **Bel Leyel**, who was reportedly either carrying, or somehow in possession of 1m. Sudanese pounds. Sudanese security services claim that Leyel had been given the money by **Sherrif El Hindi**, the exiled former minister of finance who now has close links with Libya. Leyel says that the money had been donated by **Saudi Arabia** to build mosques in Sudan.

One mystery Nimeiri could have dropped some hints about is his intended date of retirement. For some time he has been talking of stepping down from

the Presidency. The consensus is that if he is to do so, it will be when Sudan's new regional structure (with six to eight regions) is securely in place. But that may be a long time coming

#### THE EMBATTLED PARTY.

The dismissal at the end of October of **Khalifa Khogali**, the assistant secretary (state ministerial status) of the ruling *Sudanese Socialist Union* (SSU) "headquarters affairs and organisation department" appears to be the manifestation of a conflict that has besieged the SSU for a long time. Essentially it has been a battle between the liberals and the conservatives, with Khalifa (who was a history school teacher at Rumbek Senior Secondary School during the civil war) and **Makkawi Awad El Makkawi**, the secretary-general of the *Sudan Youth Association*, seen as representing a liberal wing in the SSU. On the other hand are the conservatives, composed of Islamic fundamentalists, particularly the Muslim Brothers. Though not himself a known member of the Muslim Brotherhood, Gen. Omer (some regard him as more of a Unionist), who is also an assistant secretary in the SSU, leads the conservatives, and is popular with both the Ansar and Brotherhood political religious groups.

The conflict in the SSU started seriously in 1977 when national reconciliation was formally agreed upon. Opposition groups have since then begun to merge with the SSU. Sadig El Mahdi, the leader of the Ansar, became a party politburo member; Hassan Turabi, the secretary-general of the Muslim Brotherhood, became assistant secretary-general for external affairs and information of the party. But the newcomers have not spared the SSU from criticism. Sadig has criticised it for not being democratic enough and of failing to reach the masses; the Muslim Brothers are now accusing the *Sudan Youth Union* and *Sudan Women's Union* (all under the SSU) of being dominated by anti-Muslim Brotherhood elements and of being prone to the old cadre of the regime, which effectively quashed the influence of those parties opposed to the reconciliation. While Sadig resigned from political office and has since kept himself out of any political activity, the Muslim Brothers are on the rise (AC Vol 22, No 20). Turabi, it will be recalled, was appointed attorney-general in 1979. The rise of conservatives in the SSU and government is viewed with great alarm by liberals and the left-wing, who loathe to see conservatives, either who were earlier against the SSU or who are new to the party, now come to the top.

Having lost in 1979 their top man, Mag. **Abul Gasim Mohamed Ibrahim**, then the number two man in the government and party, partly as a result of conservative pressure, the liberals have found politics difficult. Earlier this year, Khalifa had an argument with Omer which ended up in a fist-fight. Both men submitted their resignations to Nimeiri, who promptly ignored the whole incident. The conflict has, however, continued. After the Chadian embassy

in Khartoum was bombed by some Chadians in June this year, the liberals sharply criticised Omer for lax security. But instead of dismissing Omer, Nimeiri elevated him in October to the post of vice-president. He still retains all his other jobs. Khalifa was, of course, sacked within weeks of Omer's elevation.

While the conservatives have won the day again, the tide may well change against them, not least because Omer has a lot of powerful opponents outside the SSU. Southerners are suspicious of and vehemently dislike the "muslim fanatics" (the conservatives) because of their call for complete Islamisation of the laws. Omer's anti-South feeling, and his conservative and religious beliefs, are well known in the South. He and Hasan Turabi are now the least popular Northerners in Southern eyes.

Recently Omer ordered the arrest of all 15 Southerners<sup>1</sup> on the Solidarity Committee of the defunct Peoples National Assembly, which compiled a pamphlet that has been declared by the SSU to be subversive. Printed in September in the Nile Printing Press (a government department) in Juba, after attempts to have it printed in Khartoum had failed, the pamphlet's contents were written with the unanimous consent of the committee, although the Southerners claim that they themselves wrote the passages critical of the North and opposing the redivision of the South.

Joseph Lagu, believes the pamphlet was actually written by **Abel Alier**, **Bona Malwal**, and Ambrose Ring, a former SSU boss in the regional assembly in Juba. Lagu dismisses the fifteen as "political prostitutes" hired with money. Alier probably lost his job as leader of the South as a result. Omer ordered all six provincial commissioners in the South to arrest the 15 Southerners so that they could be brought to Khartoum by the 19th October, presumably to be investigated and then detained as political prisoners. A number of them had in fact already been arrested in Juba when they had gone to Bona Malwal to complain. Bona then went to see Maj. Gen. Rassas, the new leader of the South, who sent a message to Omer to suspend the arrest warrants. We do not know the contents of Omer's reply, but none of the others have been jailed, and the few who had been arrested were released. Pressure on Nimeiri to remove Omer and some of the conservatives may well become too strong for him to ignore ●

**Footnote 1:** Michael Jalon Andrew, Andrew Acin Nyin, Peter Samuel Moga, Awad Abdalla Wani, Cirillo Chan, Hussein Ajuong, James Ajing Poth Ater, Benedict Zugumbia Tembura, Gordon Ismail, Musa Fargalla, James Aniceto, Michael Malet, Thompson Thon, Paul Koryom and Daniel Thon.

## GOVERNMENT SEEKS TO IMPROVE FREE ZONES

London 8 DAYS in English No 47, 28 Nov 81 pp 40-41

[Text] SYRIA IS REVIEWING the future of its free trade zones, set up after 1971 to attract foreign capital and build an export-oriented industrial sector. Finance Minister Hamdi Saqqa said that a special study on the zones and their benefit to Syria was being prepared by the ministry of economy and foreign trade, following questions as to whether they were meeting their original objectives.

Arab economic experts have commented that the latest Syrian move is consonant with other economic and fiscal measures taken recently by the republic to curtail the excesses which have obstructed the moves towards an open-door economy taken since President Hafez Assad took power in 1970. Some of those excesses have led to charges of corruption and favouritism being levelled against some traders who had benefited from the open-door policy.

Dr Saqqa said that the ministry of economy report would be considered by Abdel Qader Qaddoura, the deputy prime minister for economic affairs, probably early next year. The committee would include the ministers of economy, finance, oil, industry, agriculture and supply.

The General Authority for Free Zones (GAFZ) was created in 1971, attached to the ministry of economy and foreign trade. At that time, only one free zone existed in Syria, that of Damascus, which covered an area of 88,000 square metres and was administered by the general directorship of customs. Two other free zones operated as port facilities only, in the Mediterranean cities of Latakia and Tartous. After its creation, the GAFZ took over these three zones and began to work on three others: in Adhra (north of the capital), at Damascus International Airport, and in Aleppo.

Later, plans for a seventh zone in the southern city of Dera, on the Jordanian border, were added.

Income from the free zones rose to a peak of Syrian £7.119m (\$1.8m) in 1977, but has fallen in real and sometimes even in cash terms since then. In 1978, the cumulative total of revenues from the GAFZ totalled only S£4.9m (\$1.2m) more than the authority's considerable S£17.18m (\$4.5m) expenditure on them up till then. The figures are thought to have deteriorated since.

According to a government statement published recently, Prime Minister Abdul Rauf al Kasn has said he wants to vet all new licences for building or expanding industrial plant in the free zones.

Goods manufactured under licence from western companies in Syria's six operating free zones range from cosmetics and toothpaste to medicines and light industrial products. But the zones, which cover a total of 7,000 sq km, have failed to attract foreign medium or heavy industry.

Dr Saqqa said that the committee would decide whether to expand or reduce the role of the zones and whether to change existing regulations covering them. 'At the moment we get no tax benefit from them and they are a drain on our skilled labour. The profits are mostly going abroad,' he stated.

Economy and Foreign Trade Minister Mohammed Atrash admits that the performance of the free zones has not lived up to expectations: instead of spawning export industries they have become distribution centres for consumer goods destined for local markets. Producing in the zones brings exemption from customs duties, labour and corporate income taxes and many important exchange control regulations. But Atrash thought that the zones still had an

important role to play.

Dr Saqqa said that no decision had been made so far on the future role of the zones, but it was clear that they had to be integrated more into the Syrian economy. Often the zones had been used simply as entrepôts for goods in transit, bringing little real benefit to the economy. Foreign manufacturers have used them to transit products to other Middle East states, as well as the Soviet Union.

Iraq has signed a \$250m contract with the Brazilian company Engesa, which manufactures armoured cars and other military vehicles as well as tractors and agricultural machinery.

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